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Held at Headquarters, New York, on Wednesday, 6 October 2004, at 10 a.m.

Chairman: Mr. Balarezo ..... (Peru)

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The meeting was called to order at 10.10 a.m.

General debate (*continued*)

1. **Mr. Bataar** (Mongolia) said that, since overall progress in the achievement of the Millennium Development Goals had proved disappointing, significant changes were needed at the policy level. Furthermore, major efforts should be made to implement domestic reforms and good governance in developing countries and to mobilize additional financial resources in general.

2. Mongolia welcomed efforts to identify new resources for development and, in that regard, commended the United States administration for the creation of the Millennium Challenge Account. He hoped that such forms of development assistance would be effective in generating real economic growth.

3. A fair international trade regime, particularly global trade liberalization in agriculture and improved market access, would enhance and stabilize the export earnings of developing countries. Mongolia had noted recent positive developments in trade negotiation processes and continued to support special and differential treatment for small and vulnerable economies seeking full market access and low import tariffs from their larger trading partners.

4. Despite several initiatives taken by the international community, unsustainable external debt problems remained a serious obstacle in the pursuit of economic and social development. Mongolia was particularly interested in innovative ideas such as the exchange of debt for social development and, in that vein, he mentioned the successful resolution of the debt situation between Mongolia and the Russian Federation. Relieving Mongolia of a ten billion dollar debt would provide a significant boost to the country's economic development.

5. The year 2005 would be crucial as world leaders were scheduled to meet to review the progress towards the Goals. For its part, Mongolia was poised to launch a national report on the achievement of the Goals, and was committed to pursuing close collaboration with its development partners.

6. **Mr. Lopez** (Cuba) said that it was of vital interest to developing countries that the Committee should continue to be the legitimate framework for the defence of their interests. Referring to development setbacks experienced in the 1990s, he said the globalization process had not reduced the gap between rich and poor countries and had furthermore led to a decline in the role of the State and to reduced economic and financial capacities to safeguard basic rights. Despite its record of failure, privatization continued to be prescribed as a remedy to developing countries and sanctions and unilateral economic measures imposed on poor countries had produced disastrous consequences.

7. Recent natural disasters in the Caribbean region underscored the importance of international recognition of the special needs of small island developing countries. In that context, Cuba regarded the October negotiations on the preparations for the International Meeting to Review the Implementation of the Barbados Programme of Action for the Sustainable Development of Small Island Developing States as a matter of priority. The success of the review process and its follow-up would depend on the political will of the entire international community, but especially of the developed countries.

8. Cuba would be keenly interested in the Committee's analysis of the triennial comprehensive policy review of operational activities for development. The consideration of that item would provide an opportunity for priority setting in an important area of work, through the Organization's funds and programmes.

9. **Mr. Kau** (Fiji) said that globalization had a great impact on the livelihood of Member States: while opportunities and wealth had been created, marginalization and division had produced adverse effects in developing countries. Those effects had been compounded by shortfalls in official development assistance (ODA), which was crucial to achieving some of the agreed Millennium Development Goals.

10. The insistence of WTO on free and open trade had harmed small economies, such as Fiji's, because of loss of earnings from reduced commodity prices. The future of the sugar industry was uncertain now that the partnership between the African, Caribbean and Pacific (ACP) group of countries and the European Union (EU) hung in the balance. He commended the efforts of ACP and EU members in promoting the interests of Fiji, and their appeal for consideration of the plight which Fiji currently faced.

11. Fiji was not against globalization and trade liberalization, but objected to, the pace at which the

process had been spurred on by the developed economies, through multilateral institutions and instruments, including international financial institutions. There was a lack of equity and justice in the way trade liberalization was being pursued, and developing countries were far removed from important decision-making processes. Small island economies had been coerced into accepting the belief that, in managing the policy challenges of trade liberalization, painful short-term consequences far outweighed long-term gains. His Government fervently hoped that assurances of assistance to small economies would materialize as genuine efforts to improve their situation, and hoped for the best outcome for future trade talks.

12. The fast pace of change, coupled with the loss of competitive margins and the withdrawal of schemes such as the Generalized System of Preferences, together with geographical and climatic conditions, continued to pose challenges for small economies. He therefore joined previous speakers in highlighting the vulnerability and fragility of small island States, as illustrated by the recent hurricanes in the Caribbean. In that regard, Fiji hoped that the January International Meeting in Mauritius to review the implementation of the Barbados Programme of Action would lead to new partnerships aimed at enhancing the resilience of small island developing States.

13. **Mr. Kazykhanov** (Kazakhstan) said that the extraordinary challenges of the previous year had diverted the attention of Member States from development issues. The current session of the General Assembly provided an opportunity to make comprehensive preparations for the review of the Millennium Declaration in 2005 and for the commemoration of the sixtieth anniversary of the United Nations. Follow-up on the outcome of the International Conference on Financing for Development remained a key item on the global development agenda. Once again there had been confirmation of the need to vigorously mobilize financial resources in order to ensure full and timely implementation of the Monterrey commitments. Kazakhstan therefore attached great importance to studies on innovative and unconventional sources of financing for development. With regard to resource mobilization, the effective use of domestic resources, notably through microfinancing, and active mobilization of international support should remain the most important tools for poverty eradication.

14. Being concerned about the marginalization of economies in transition and the deterioration of economic conditions in countries with poorly diversified economies, his Government would actively participate in discussions on the integration of economies in transition into the world economy so as to open new avenues to support those countries in their attempts to gain access to world markets and to join WTO.

15. As a landlocked country, Kazakhstan believed that the interests of such countries should be taken fully into account in decisions on economic development, international trade and interregional cooperation. Noting progress made in the implementation of the Almaty Programme of Action, he hoped that forthcoming discussions would produce recommendations on the expansion of the multilateral partnership designed to establish effective transit transport systems to ensure that products of landlocked developing countries gained secure and reliable access to world markets.

16. The review of the implementation of the Barbados Programme of Action would provide an opportunity for the international community to renew its commitments concerning the solution of problems faced by small island developing countries.

17. Sustainable development and environmental protection should remain priorities for the Committee. The territory of Kazakhstan had suffered from both man-made and natural disasters, the humanitarian, social and economic consequences of which had affected sustainable development throughout the Central Asian region. Kazakhstan called for an international partnership to develop a package of measures of financial, technical and humanitarian assistance from the United Nations, the specialized agencies and programmes, and multilateral financial institutions. A specific General Assembly resolution on the dying Aral Sea could lay the foundation for such an international partnership.

18. He also called for more active international cooperation on the former Semipalatinsk nuclear-testing ground, and hoped that a resolution on the topic would forge specific commitments to mitigate the effects of that man-made disaster.

19. Access to water resources was extremely important for his country in developing a framework for its international cooperation for sustainable development. He noted that the entry into force of the Kyoto Protocol was especially critical, and informed the Committee that Kazakhstan was in the process of becoming a party to that instrument.

20. **Mr. Jimenez** (Ecuador) said that the external debt burden on developing countries exerted tremendous pressure on the sustainability of their economies and the viability of democratic regimes. Particular mention should be made of the delicate situation facing middle- income and heavily-indebted countries. To date, the international community had not appropriately addressed the extremely vulnerable situation of those countries. Specific short-term and medium-term action should be identified to effectively reduce existing pressures and, in the long term, approaches should be based on factual elements and precise economic indicators that served as a platform for a predictable and sustainable framework for external debt servicing.

21. He emphasized the importance of international trade to Ecuador's economic and social development strategies. However, it was also important to have a fair level of international competition and effective differential treatment in favour of the developing countries. Practices that seriously distorted competition, such as subsidies and other measures of support amounting to unfair competition, should be abandoned. Bilateral and regional agreements tailored to the needs of the countries directly concerned could strengthen the global economy and promote trade expansion, investment, employment and income generation. Preferential trade mechanisms not subject to reciprocity should be enhanced as regards levels of access and coverage and simplified, for instance as regards rules concerning the origin of goods.

22. His delegation attached great importance to the future events scheduled on the important question of international migration: the thirty-ninth session of the Commission on Population and Development and the General Assembly High-Level Dialogue. The participation of countries of origin, countries of transit and host countries was necessary, as suggested by the World Commission on the Social Dimension of Globalization.

23. Ecuador was convinced that the most effective response to natural disasters and their grave human and material impact was the implementation of concerted measures, at all levels, aimed at risk reduction.

24. **Mr. Bhagwat-Singh** (International Union for the Conservation of Nature and Natural Resources (IUCN)) said that the Third IUCN World Conservation Congress, to be held in Bangkok, would be the most important conservation and sustainable development event in 2004 for the consideration and discussion of the relevant issues at regional and global levels. The Congress was expected to explore the relationships between people, development and conservation, including markets, trade and the private sector.

25. One of the key indicators of progress towards the development goal on environmental sustainability was the aggregate size of protected areas. Collectively, the governments of the world had achieved a degree of legal protection for biodiversity conservation over more than 10 per cent of the planet's terrestrial biosphere. That achievement had demonstrated that multilateral goals requiring concerted action by all Member States were in fact achievable within a decade.

26. Much remained to be done to protect marine ecosystems, and to reduce the threat posed by climate change and greenhouse gas emissions. IUCN was monitoring progress towards the Biodiversity 2010 target, and was encouraged by the participation of many European governments in the initiative to reach the target. The International Union welcomed the recent work programmes adopted under the Convention on Biological Diversity on protected areas and marine ecosystems, and looked forward to the reports on the Millennium Project and the Millennium Ecosystem Assessment.

27. In conclusion, he urged delegations to ensure that there was a clear link between the review of the Goals and follow-up to the Monterrey Summit. He suggested that the next high-level dialogue on financing for development should be scheduled as an integral part of the summit-level review of the Goals during the next session of the General Assembly.

28. **Mr. Mekdad** (Syrian Arab Republic) said that, on the eve of the review of implementation of the Millennium Development Goals, the international community still had not found solutions to the problems arising from poverty, heavy external indebtedness, reductions in official development

assistance, protectionism and State subsidies in international trade, and connected with technology transfer. Initiatives to resolve the problem of external indebtedness should not link cancellation of the debt to development assistance. His delegation welcomed the efforts that had been made in that regard.

29. Globalization must go hand-in-hand with efforts to narrow the technology gap between developed and developing countries. His delegation congratulated the delegation of Tunisia on the organization of the World Summit on the Information Society and hoped that all Member States would participate.

30. The obstacles encountered in multilateral negotiations relating to the eleventh United Nations Conference on Trade and Development (UNCTAD) raised questions regarding the willingness of developed countries to promote development. Those concerned should demonstrate the political will necessary to ensure that free trade did not work against the interests of developing countries. Unilateral sanctions against developing countries were a major obstacle to their economic and social development. They hindered the enjoyment of human rights and undermined international law.

31. South-South cooperation was also a key element in efforts to find a solution to the problems being faced by the developing countries. His delegation hoped that the summit of Latin American and Arab countries to be held in Brazil in 2005 would promote cooperation between those two groups, as well as South-South cooperation in general.

32. Many United Nations conferences and summits had highlighted the problems encountered by developing countries suffering from occupation. Foreign occupation was a threat to sustainable development and undermined human rights such as the right to life and the right to development. The international community must attach high priority to the issues he had mentioned so as to bring about a more just world order and guarantee development for all.

33. **Mr. Hachani** (Tunisia) stressed that external indebtedness aggravated poverty. He noted from the recent study on Africa's debt published by the United Nations Conference on Trade and Development (UNCTAD) that Africa's heavy indebtedness precluded its achieving the Millennium Development Goals. The negative transfer of financial resources hindered growth and aggravated poverty. That situation, which was not confined to Africa, could be improved on a lasting basis only if there was genuine political will to act. Rescheduling the debt and converting it for use in social and environmental projects could stimulate development and reduce poverty in middle-income countries. In the case of poor countries, debt cancellation was the key to their economic recovery.

34. The current multilateral trading system aggravated poverty. The developing countries had not benefited adequately from the advantages of globalization. All WTO members should be involved in implementing the Doha Development Agenda in order to bring about balance in trade and ensure that additional means could be provided for development. Excessive agricultural subsidies, limitations on market access and draconian conditions for WTO membership were all barriers to development that hindered the integration of the world economy. His delegation noted with satisfaction the compromise agreement reached on 1 August by the General Council of WTO. Although the agreement had not settled the fundamental issues involved, it would at least allow the negotiation process to be resumed.

35. The digital divide also aggravated poverty. The convening of the World Summit on the Information Society (WSIS), the second phase of which would be held in Tunis from 16 to 18 November 2005, was evidence of the international community's growing awareness of the seriousness of the situation. The objective of the World Summit was to put the digital divide in perspective and place development at the centre of efforts to integrate information and communication technologies (ICT) as a strategic tool of development. The General Assembly should be involved in the process leading to the Tunis Summit and beyond.

36. International solidarity was a weapon against poverty. The task of development was a long-term multidimensional process involving the mobilization of financial, human and technical resources that were beyond the reach of many developing countries. There was thus a structural need for external assistance that only the rich countries could supply. Those countries should respect their commitment to devote 0.7 per cent of their GNP to ODA in order to contribute to the achievement of the Millennium Development Goals. However, other sources of financing would need to be identified and mobilized in order to make up for the

ODA shortfall and translate into action the international consensus against poverty. The World Solidarity Fund established by the General Assembly was a tool for intervention that must be made operational. His delegation also welcomed other proposals and initiatives that had been launched with the aim of eradicating poverty and promoting development.

37. The Millennium Declaration, the International Conference on Financing for Development, the World Summit on Sustainable Development and other conferences and summits provided a framework for action that would bring greater balance and fairness to the global economy. His delegation also attached great importance to the question of migration and development and reiterated its call for an international conference on that issue.

38. **Mr. Sardenberg** (Brazil), speaking on behalf of the Rio Group, said that a suitable international environment must be created to enable the developing countries to meet the challenges of globalization. As recognized in the Monterrey Consensus, trade played an important role in promoting economic growth, employment and development. Market access for exports from developing countries was a prerequisite to growth and a fundamental factor in promoting investment, both domestic and foreign. The downward trend and volatility of commodity prices must be reversed.

39. The adoption in WTO of the so-called "July package" was an encouraging development. The time frame for conclusion of the global negotiations should be maintained, provided that the question of agriculture was included. The eleventh session of the United Nations Conference on Trade and Development, held in São Paulo, had ensured that the development dimension would be included in trade negotiations. It had also stressed the importance of giving the developing countries the necessary space to achieve their development objectives and to draw up the policies needed to ensure that globalization would be fair and would meet their needs. The principles enshrined in the São Paulo Consensus and the Spirit of São Paulo should be borne in mind.

40. A favourable environment should be created for multilateral cooperation on tax matters. On the question of the foreign debt, he stressed that creditors and debtors should share responsibility for preventing and resolving difficult situations. Debt relief could go a long way towards releasing resources for poverty reduction, sustainable economic growth and sustainable development. The Commission on the Private Sector and Development had made a significant contribution by highlighting the role of the private sector in promoting the economies of developing countries. The report of the Director-General of the International Labour Organization on the World Commission on the Social Dimension of Globalization also contributed to the dialogue on the challenges and opportunities of globalization.

41. There seemed to be broad consensus on the need to implement the commitments undertaken at various United Nations conferences and summits, especially those set forth in the Monterrey Consensus and the Johannesburg Plan of Implementation. Every effort must be made to improve coordination and cooperation both within the United Nations system and in regional and national agencies.

42. The support of the United Nations system to developing countries, especially through the Resident Representatives, was critical in facilitating coordination of projects and programmes. The Rio Group supported special measures for countries facing special situations, including the small island developing States (SIDS), the least developed countries (LDCs) and the landlocked countries. The Rio Group held the view that, without detriment to the provision of priority assistance to some developing countries, the Organization's programmes and funds should follow the principles of universality and eligibility. Countries that had achieved intermediate levels of development by implementing structural adjustment measures, opening up trade and improving governance still needed the support of the international community in order to ensure the sustainability of their efforts.

43. Referring to the Second Phase of the World Summit on the Information Society, he stressed that, in order to ensure the transition from an information society to a knowledge-based society, knowledge must be shared, bearing in mind all the ethical and sociocultural dimensions of sustainable development. The human dimension of the digital divide was just as important as the technological dimension, and any programmes to be implemented must respect human rights and fundamental freedoms.

44. The Rio Group hoped that, at its thirteenth session, the Commission on Sustainable Development would reach agreement on policies to assist countries in the areas of water, sanitation and human settlements. The fact that human settlements would be discussed in the context of the first thematic cluster should enable the Commission to further implementation of the outcome of the second United Nations Conference on Human Settlements (Habitat II).

45. The Rio Group supported negotiations on an international regime for promoting and safeguarding the fair and equitable distribution of the benefits resulting from the use of genetic resources. The Group also looked forward to the World Conference on Disaster Reduction, to be held in January 2005 in Kobe. The review of the Yokohama Strategy should include a call for the international community to contribute to the Trust Fund for the International Strategy for Disaster Reduction, as well as scientific, technical and human resources to strengthen the work of the inter-agency secretariat for the International Strategy. Support should also be offered for development of early warning mechanisms to mitigate and prevent the effects of extreme weather events. Considering the devastation caused by weather events in the Caribbean region, the Rio Group joined the humanitarian agencies of the United Nations in appealing for international aid for Grenada and Haiti.

46. The Rio Group trusted that the Second Committee would make a useful contribution to the high-level plenary meeting to be held at the commencement of the sixtieth session of the General Assembly. The Rio Group attached special importance to agenda item 84, on follow-up and implementation of the outcome of the International Conference on Financing for Development, to be considered by the Second Committee. As recognized in the Monterrey Consensus, financing for development entailed finding a lasting solution to the external debt, fulfilling commitments regarding official development assistance and ensuring flows of direct investment for development. In discussing the item, consideration should be given to innovative sources of finance, in the spirit of paragraph 44 of the Monterrey Consensus. The resources should be channelled to developing countries in a stable, transparent and predictable manner, without additional conditionalities. Proposals submitted in the context of discussions on follow-up to the Monterrey Conference should be considered from both the technical and the political standpoints. Discussions on the documents submitted to the Second Committee should be pursued with a view to contributing to the decisions to be taken in September 2005. In that regard, he wished to draw attention to the report of the Secretary-General and the report of the technical group on innovative financial mechanisms established by the Presidents of Brazil, Chile, France and Spain.

47. The effort to combat hunger and poverty launched by the four Presidents would entail increasing official development assistance and attaching greater priority to innovative financial mechanisms with a view to generating additional resources for implementation of the Millennium Development Goals. The meeting of world leaders on 20 September 2004 had renewed the political momentum in that regard. The New York Declaration on Action against Hunger and Poverty had been supported by 108 countries, and others would surely follow.

48. Since its Cuzco Summit, the Rio Group had also been considering the need for innovative financial mechanisms to expand the capacity of governments to make public investments, especially in the area of infrastructure. The Rio Group hoped that, in due course, the proposals being developed would receive the support of the international community. At its current session, the Second Committee should consider a wide variety of specific proposals for submission to the high-level plenary meeting, particularly those relating to assistance in fulfilling the Millennium Development Goals.

49. The Rio Group hoped to contribute to preparations not only for the plenary meeting itself but also for other important international meetings to be held in 2005, including the special high-level meeting of the Economic and Social Council with the Bretton Woods institutions and WTO, the high-level segment on financing for development and the substantive session of the Economic and Social Council.

50. **Mr. Rastam** (Malaysia), said that globalization should be regulated so that its benefits could be shared by all. A new global order to correct the effects of market failures and marginalization of developing countries was urgently required. Accordingly, his delegation welcomed the report of the World Commission on the Social Dimension of Globalization entitled "A fair globalization: creating opportunities for all". Governments should study the Commission's

recommendations and implement appropriate measures to ensure fair and equitable benefits arising from globalization.

51. Fair trade was a crucial instrument for promoting economic growth and sustainable development. His delegation welcomed the outcome of the eleventh meeting of the United Nations Conference on Trade and Development (UNCTAD) and believed that the current discussions in WTO must focus on the developmental dimension of trade. The major economies and trading nations from among the developed countries must demonstrate a spirit of flexibility and good will. WTO members must also live up to their Doha commitments to reduce and eliminate export subsidies and substantially reduce trade-distorting domestic support. The creation of trading opportunities for developing countries should not be viewed as acts of charity, but as a way of enabling them to participate fully in the global economy. That in turn would assist them in their efforts to eradicate poverty and to create a more secure equitable and prosperous global environment. Noting that the unfair trade policies imposed on developing countries had resulted in widespread hunger and abject poverty in the poor countries, he expressed the hope that the consensus reached on the key areas under the Doha Development Agenda on 1 August 2004 would bring maximum benefits to all members, especially in the developing countries.

52. While Malaysia had achieved most of the Millennium Development Goals, unless serious efforts were made it would not be possible for many developing countries to achieve their goals in that respect. He therefore urged developed countries to fulfil their pledges with respect to ODA, noting that efforts by developing countries alone to establish conducive national environments in order to promote economic growth would not succeed without external and international cooperation and assistance.

53. Malaysia supported any proposal that would make available additional development assistance to combat poverty and promote human development. It also welcomed efforts undertaken by a few developed countries to address the external indebtedness of the heavily indebted poor countries in Africa and applauded African countries for their determination to realize the vision of the New Partnership for Africa's Development (NEPAD). Many African countries had taken positive steps to integrate the goals of NEPAD into their national development programmes. An improved policy environment under NEPAD had led to a more positive outlook for foreign direct investment flows to Africa, although mainly in the natural resources sector. However, unless African countries were given adequate support and facilities, including market access, all those efforts would be in vain.

54. He welcomed the New York Declaration on the Action Against Hunger and Poverty of 20 September 2004 concerning the need to eradicate the scourge of hunger and poverty once and for all and to explore new and innovative financing mechanisms. The discussions on new sources of financing for development should encompass the need for a new world order and issues such as a fairer international trading system and reform of the international financial architecture. They should focus on practical rather than ideological issues. Malaysia, which attached great importance to South-South cooperation, had consistently expressed and demonstrated its readiness to share best practices and development experiences with other developing countries and would continue to work with all its partners from developing and developed countries to promote South-South cooperation. Due attention must be given to developing the capacities of the least developed countries, small island developing States and landlocked developing countries, taking into consideration their peculiarities and special needs. Accordingly, Malaysia welcomed the convening of the high-level International Meeting to Review the Implementation of the Barbados Programme of Action for the Sustainable Development of Small Island Developing States in January 2005 in Mauritius. That meeting should recommend concrete and practical measures to enable those countries to achieve some economic growth and sustainable development.

55. **Mr. Neil** (Jamaica) welcomed the Secretariat's excellent analysis of the current state of the international economy. While the 3 1/4 per cent growth rate projected for the forthcoming year was a good outlook for the international economy as a whole, rates of 6 to 8 per cent were needed for developing countries, particularly those with high debt-to-income ratios. While improved governance was essential to mobilizing domestic resources for development, no particular political or ideological model should be imposed on developing countries.

56. Given the critical impact of the external environment on the growth of developing countries in

the context of globalization, fair rules were needed for trade; however, there must be fairness in the application of such rules. In that regard, the forthcoming Doha Round of trade negotiations must apply development-oriented principles and focus on correcting trade imbalances. There was also a need to stabilize earnings from commodities. Arrangements could be made to encourage flows of foreign direct investment to developing countries. He was particularly concerned that a significant amount of ODA was being channelled into security expenditures rather than development needs. Furthermore, since remittances had become an important component of capital flows, new arrangements must be put in place to lower transmission costs. It was disappointing that the recent meeting in Washington of the Bretton Woods institutions had not reached any substantive agreements on debt relief.

57. Renewing the call for more facilitation of technology transfer, he stressed the importance of increasing the outsourcing of production through foreign investment and foreign placement of production facilities. In that regard, the promotion of industrialization in developing countries was critical to their development and to the diversification of their economies. With regard to governance, serious consideration should be given to establishing a mechanism within the United Nations system to deal with global macroeconomic management, coordinate the whole system of international economic policies, correct imbalances in the world economy and respond to crises as they arose. Such a mechanism was absolutely necessary in an age of globalization. There was a need not only for symmetry between labour and capital flows but also for more affirmative action in relation to migration flows, taking into account how globalization had affected the distribution of employment. Referring to the unwillingness of developed countries to provide an inclusive framework for participation of developing countries in discussions regarding the proposed international tax, he expressed the hope that the matter would be resolved in the Economic and Social Council.

58. As far as development policy was concerned, the main problem was that developing countries were given one model, the free market model, whereas what they needed was policy space to develop models appropriate to their own economic, social and political situation. That particularly applied to the role of the State. In most cases of development, including in developed countries, the State had been an important actor in the promotion of economic development. Given the circumstances of many developing countries, it was important for the State to have a positive role in the whole development process, including even in helping to build a vibrant private sector.

59. **Mr. Kittikhoun** (Lao People's Democratic Republic), speaking on behalf of the group of landlocked developing countries, stressed the need for innovative approaches to international development cooperation that placed development at the core of international relations and ensured full participation and integration of all developing countries into the world economy. He welcomed the initiative of global action against hunger and poverty, which would contribute significantly to attaining the primary goal of the Millennium Declaration. Expressing concern at the slow progress towards the achievement of the Millennium Development Goals, he stressed the need for greater integrated and coordinated efforts at all levels. The eighth goal stressed the special needs of landlocked developing countries, as well as small island developing States and the least developed countries. To date, however, no significant progress had been made to tackle the needs of those States, which together made up almost half the membership of the United Nations; nor had any satisfactory mechanisms been set up to measure progress.

60. Financing for development remained indispensable for sustained growth in developing economies. Landlocked developing countries had made every effort to mobilize domestic resources to meet their development needs, but few resources were available, primarily owing to the lack of significant economic growth and the increasing decline in foreign direct investment. The donor community should support landlocked countries without imposing conditions and complex procedures and the international community should ensure that landlocked developing countries received increased ODA and foreign direct investment flows so that they could meet their development needs.

61. Landlocked developing countries had become increasingly marginalized in the world trading system. The lack of territorial access to the sea, remoteness from world markets, inadequate transport infrastructure and burdensome border formalities had resulted in high transport costs. The high costs of transport and

insurance prevented landlocked developing countries from reaping the benefits of international trade and integrating into the global economic mainstream.

62. Welcoming the "July package" adopted by the General Council of WTO on 1 August 2004, he said that current WTO negotiations on market access for agricultural and non-agricultural goods should focus on products of interest to landlocked developing countries, as called for in the Almaty Programme of Action and the São Paulo Consensus. The landlocked least developed countries were pleased that trade facilitation was to be included in the next round of negotiations, since efficient trade facilitation measures would go a long way towards tackling the high costs of their trade transactions.

63. **Mr. Song** Se Il (Democratic People's Republic of Korea) said that, despite some progress in achieving the Millennium Development Goals, the international economic situation remained grave and was far from meeting current needs. The gaps between rich and poor, North and South, had not narrowed because of unfulfilled commitments to provide development assistance and unresolved questions concerning a fair international economic system and external debt. The political stipulations and profit motive involved in development-oriented funds and mechanisms hindered developing countries from achieving their development goals. The recent prevalence of unilateral embargoes and high-handed measures designed to exert political and economic pressure had seriously infringed the rights of developing countries and affected peace, security and well-being in the world.

64. An economic environment conducive to poverty eradication and development was needed to achieve the major development goals set at the Millennium Summit and the World Summit on Sustainable Development. The developed countries must increase official development assistance (ODA) and foreign direct investment to developing countries without setting political preconditions and show decisive will to resolve the problem of external debt.

65. International trade was one of the developing countries' main sources of development funds. Those countries must have access to international markets on fair terms. International financial and trade organizations must allow developing countries to take part in decision-making. There was a need for greater partnership between the United Nations, other international organizations, non-governmental organizations and the private sector. Lastly, the international community must reject such unjustified actions as military intervention and economic blockades, which undermined the independence and development of sovereign States.

66. His Government had made tireless efforts to reform and streamline its economic structure, stabilize the livelihood of its people and revitalize the economy despite military tension caused by outside forces and economic difficulties. It had also taken measures to resolve food and energy problems, for example, through the construction of medium- and small-scale hydroelectric plants. His Government would further develop cooperative relations with the international community to achieve the Millennium Development Goals.

67. **Mr. Mugume** (Uganda) said that sub-Saharan Africa might not attain the Millennium Development Goals because Africa was the only major developing region with negative growth in per capita income and remained mired in poverty and debt. His Government had gone to great lengths to put in place a macroeconomic environment and stringent economic and political reforms conducive to sustained economic growth. Although it had benefited from the Heavily Indebted Poor Countries (HIPC) Initiative, Uganda bore an unsustainable debt burden.

68. The achievement of the Goals was closely tied to the implementation of the New Partnership for Africa's Development (NEPAD). African countries had made a commitment to attain the Goals and to reverse the continent's marginalization through good governance, a viable security architecture, regional integration and a focus on NEPAD priorities for sustainable development. His Government had embarked on a peer review process and integrated NEPAD priorities into national development plans. At the subregional level, East African countries were implementing NEPAD projects to address infrastructure, energy and information and communication technology challenges. Stronger international support was required to help Africa to meet challenges identified under NEPAD.

69. The inequitable sharing of the benefits of globalization was perhaps the biggest challenge facing the international development community. His delegation therefore called on developed countries to follow the recommendations contained in the report of

the World Commission on the Social Dimension of Globalization to overcome the structural and systemic obstacles to wider access to the benefits of globalization.

70. It was necessary to address the issues of agricultural subsidies, tariff peaks and tariff escalation, non-tariff barriers, and capacity-building, particularly for the least-developed countries. Only by expanding the export base and overcoming supply-side constraints could those countries take advantage of market opportunities under the African Growth and Opportunity Act, Everything but Arms initiative and other preferential schemes. It was also crucial to meet the commitment of 0.7 per cent of the gross domestic product (GDP) of developed countries being devoted to ODA, increase foreign direct investment, ensure sustainable debt levels and pursue innovative sources of funding. There was a need for increased participation of developing countries in identifying development objectives and setting policies responsive to their needs and priorities.

71. As Paul Collier had pointed out in his keynote address to the Committee on 5 October, poverty was both a cause and effect of many conflicts. The countries of the Great Lakes region were committed to a successful outcome to the international conference on the region to be held in Dar es Salaam in November 2004, which would focus on post-conflict reconstruction, including disarmament, demobilization, resettlement, rehabilitation and reintegration of former combatants; conditions for sustained peace and stability; and creation of a framework for regional integration.

72. The Committee faced the challenge of evaluating the shared responsibility for implementing the declarations and strategies in the Monterrey Consensus, the Doha Development Agenda, the Programme of Action for the Least Developed Countries for the Decade 2001-2010, the Almaty Programme of Action, and the Programme of Action for the Sustainable Development of Small Island Developing States. It would be considering resolutions to ensure equitable distribution of the benefits of globalization and a Triennial Comprehensive Policy Review to ensure coherence and effectiveness of the United Nations system in the implementation of the Millennium Development Goals. Lastly, it must meet the challenge of mobilizing international support for NEPAD.

73. **Mr. Sambath** (Cambodia) said that, having recently emerged from many years of war and internal conflict, his Government understood the paramount importance of peace. However, as the Secretary-General stated in his report on the implementation of the United Nations Millennium Declaration (A/58/323), "for peace to be sustainable in the early twenty-first century, a State emerging from armed conflict has to be able to meet the challenges of globalization".

74. His Government gave top priority to achieving good governance. Success depended on its efforts to enhance peace, political stability and social order, to strengthen its integration into regional and international organizations, to build development partnerships and to promote a favourable macroeconomic and financial environment. In addition to adopting the eight Goals in the Millennium Declaration, the Government had proclaimed a goal related to demining, unexploded ordnance and victim assistance.

75. The people of Cambodia were beginning to enjoy the results of the reforms introduced. Between 1999 and 2003, the economy had experienced high growth rates, especially in the industrial sector, low inflation and a dramatic increase in exports. The textile and garment and tourism sectors contributed much to the country's economic development and job creation. Although the agricultural sector was dependent on weather patterns, his country had been self-sufficient in rice production since 1995.

76. Poor and developing countries such as Cambodia required assistance from the developed countries to reach their development goals, which would benefit all parties concerned. His Government called on developed countries to increase ODA flows to the least developed countries to 0.15 to 0.2 per cent of their GNP by 2006 and take the necessary steps to reverse the downward trend in ODA.

77. The outcomes of summits must not be implemented selectively. A focus on governance and social issues must not obscure the need for greater market access for developing countries; easing of the debt burden and eliminating protectionist measures. Developing countries must be incorporated properly into the international trade, economic and financial system. Financial resources must be shared effectively through ODA. The necessary resources for sustainable

development existed within the international community; it was a matter of sharing them for the benefit of all. Lastly, he hoped that Cambodia's accession to the World Trade Organization (WTO) would enable it to reduce poverty, take full advantage of globalization and be integrated fully into the world economy.

78. **Ms. Soto** (Costa Rica) said that her Government was strongly committed to economic and social development, which must go hand in hand. Such a principle had contributed to the high level of human development and significant reduction in poverty in Costa Rica. Her Government had attained the Millennium Development Goal of halving poverty and promoting gender equality. By law, at least 40 per cent of the parliament must consist of women, and more than half of the managers and administrators in the country were women, according to the most recent Human Development Report. There was universal access to health and education. Average life expectancy was 78 years, which placed Costa Rica twenty-third in the world according to the Report.

79. Her Government had diversified exports to compensate for the drop in international prices for raw materials and signed a number of bilateral trade agreements with various countries of the continent, which had positive results. South-South trade had been dynamic, and open access to markets in the South stimulated that trade. However, the major buyers of products from her country were still the developed countries and trade barriers and subsidies distorted the market, affecting growth and development. Her delegation welcomed the WTO decision on the Doha Agenda work programme, the "July package", which emphasized development, and believed in the need for a fair multilateral trade system for all. Although South-South cooperation and the transfer of best practices were important, such cooperation was a complement to and not a substitute for North-South trade.

80. Her Government was committed to achieving sustainable development and the Millennium Development Goals and had formulated a national development strategy to make better use of its resources to that end. It had made several international commitments, which, should result in a better life for its citizens. It shared the concerns expressed by the Intergovernmental Panel on Climate Change and called on States that had not yet ratified the Kyoto Protocol to do so. The hurricanes that had struck Haiti and Grenada were a reminder of the vulnerability of many small island developing States and of the need for follow-up to the Barbados Programme of Action. Environmental protection and conservation were also necessary for sustainable development. Twenty-five per cent of Costa Rican territory had been declared protected areas and several institutions and laws had been established to strike a balance between environmental protection and poverty-reduction policies.

81. Despite the many successes, 18.5 per cent of the Costa Rican population continued to live in poverty. There was a need for investment in infrastructure and innovative financing mechanisms for development. Her delegation therefore commended the initiative taken by the Governments of Brazil, Chile, France and Spain in proposing alternative financing mechanisms, particularly the tax on arms sales to finance the fight against hunger and poverty. Large investments were needed in the developing countries in education, health, public safety, transport and other areas. She therefore called on the international community to honour the commitments made at the Monterrey Conference. It would be counterproductive to penalize poor countries, such as Costa Rica, which were making efforts in the areas of disarmament, respect for human rights and labour rights, environmental protection and greater social investment by excluding them from the lists of beneficiaries of cooperation programmes and from systems of preferential treatment market access.

82. The forthcoming summits and conferences on economic and social issues must focus on development. The international community must not allow the High-level Panel on Threats, Challenges and Change to monopolize discussions and divert attention from the review of whether the Millennium Development Goals and other international commitments had been achieved.

83. **Ms. Filippini** (Haiti) said that the significant gap between the hopes embodied in the Millennium Development Goals and the reality, especially among the poorest countries, was in some cases caused by internal governance problems. While economic vulnerability was the result of poor governance, the converse was also true: political stability and democracy could not be built in the midst of poverty.

84. There were fresh concerns that the current macroeconomic environment, characterized by a

slowdown of growth in the principal developed countries, might jeopardize the efforts of developing countries to improve their economic and social situation. The re-establishment of the Ad Hoc Advisory Group on Haiti to implement a long-term assistance programme and the commitments made by many donors within the interim cooperation framework discussed in Washington, D.C., in July 2004 were encouraging. It was to be hoped that the priority rightly being given to humanitarian assistance in response to the recent natural disaster would not slow down the already intricate and long procedures for disbursing funds.

85. Given the fears aroused by globalization, the international community must strengthen the institutional capacities of developing countries and build multilateralism. The lack of access to new information and communication technologies greatly hindered the integration of countries such as Haiti into the world economy. Cooperation in the area of technology transfer must therefore be encouraged. The World Summit on the Information Society, should consider the need to extend technologies to more people around the world. The role of South-South cooperation must be stressed without diminishing the importance of North-South cooperation. The integration of developing countries into the globalization process required joint efforts to combat hunger and poverty. The high-level initiative undertaken by the Government of Brazil in that regard and the Conference on the Social Dimension of Globalization must be followed by specific action.

86. The Committee must tackle the issue of debt servicing, which diminished considerably the capacity to fund development activities. Her Government welcomed the many debt relief programmes implemented by the main creditors, which should give particular attention to the least developed countries vulnerable to natural disasters. The small island developing States faced such environmental threats as desertification, drought and floods. Her delegation commended the preparations for the International Meeting for the Review of the Barbados Programme of Action and also mentioned the World Conference on Disaster Reduction, the thirteenth session of the Commission on Sustainable Development, the high-level meetings on HIV/AIDS and financing for development, the second G-77 South Summit and the fifth session of the United Nations Forum on Forests.

87. Migration was an important source of wealth creation, benefiting host countries and countries of origin alike. In the light of its importance for the world economy, her Government welcomed the high-level dialogue on migration hosted by the Government of Peru. Lastly, the international community must give greater attention to overcoming HIV/AIDS, malaria and tuberculosis.

The meeting rose at 1.10 p.m.

United Nations A/C.2/59/SR.7

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Second Committee

Summary record of the 7th meeting
Held at Headquarters, New York, on Wednesday, 6 October 2004, at 5 p.m.

Chairman: Mr. Balarezo ..... (Peru)

Contents

General debate (*continued*)

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04-53992 (E)

The meeting was called to order at 5.05 p.m.

General debate

1. **Mr. Badji** (Senegal) drew attention to the Action against Hunger and Poverty initiative promoted by Brazil, Chile, France and Spain and targeting millions of people worldwide, especially in sub-Saharan Africa, and said that economic growth had been progressively consolidated in Senegal, reaching 6.5 per cent in 2003; prices were stable and the financial deficits had been reduced to sustainable levels. The country had also launched the national good governance programme to promote an environment favourable to private initiative, as well as the reform of the State financial management system in order to achieve efficiency and transparency. Nonetheless, the poverty rate among Africa's population continued to be high and many countries on the continent would be unable to attain the Millennium Development Goals. Consequently, the international community must urgently assume its responsibilities regarding official development assistance, external debt and trade. In that regard, he welcomed the establishment of the Millennium Challenge Account and the proposal for an international finance facility, as well as the proposals of the Technical Group on Innovative Financing Mechanisms.

2. In Africa it was vital to fight corruption, red tape and waste and to demonstrate better absorption capacity for official development assistance. The partners, for their part, must continue their efforts to harmonize their policies, untie their aid and make grant flows more predictable. There were plans to hold an international conference in Dakar in order to address the serious debt problem. Since the debt burden of African countries was clearly unsustainable, the benefits of the Heavily Indebted Poor Countries Initiative and of the attitude of donors that had recently cancelled part of Senegal's debt were undeniable. But it must also be acknowledged that a poor country's level of sustainable debt must be compatible with attainment of the Millennium Development Goals. In that regard, the World Bank and International Monetary Fund (IMF) were working on finding an acceptable definition of that concept. With regard to trade, it was essential to remove the obstacles to the access of African products to the markets of the developed countries and to diversify exports. Since the share of the African countries in the global flow of trade in goods and services was paltry, their exclusion would continue as long as international trade mechanisms were not radically redefined in order to end that implacable logic of injustice and inequality so patently illustrated in the "cotton scandal". In that connection, the "July 2004 package" contained constructive proposals concerning cotton and the Dakar Agriculture Agreement proposed by the President of Senegal could be a forum in which political leaders, the scientific community, agro-industry and the financial institutions could study ways of integrating Africa into global trade. It would also afford an opportunity to contribute to reducing the disparities existing in regard to agriculture and to secure the means to combat the plague of locusts that had attacked some four million hectares of crops in Senegal and the Sahel region.

3. **Mr. Belinga-Eboutou** (Cameroon), after endorsing the statements made on behalf of the Group of 77 and China and the Group of African States, noted with concern that sub-Saharan Africa would not be in a position to fulfil most of the Millennium Declaration Goals by 2015, despite an annual growth rate of 4.5 per cent. Given that fact, it was necessary to consolidate the New Partnership for Africa's Development (NEPAD) as an instrument for mobilizing resources to promote sustained economic growth and sustainable development. It was also necessary to settle the debt problem once and for all and strengthen the Heavily Indebted Poor Countries Initiative, which had not yielded the results expected of it, owing to the rigorous conditions imposed for reaching the completion point, the sole parameter on which a significant debt reduction was based.

4. Genuine development was, first and foremost, endogenous; accordingly, countries must pursue the path of good governance, anti-corruption measures, democracy, and the strengthening of domestic savings and investment practices. At the same time, in the modern world, despite the amount of accumulated and available wealth, misery and poverty were the order of the day and, despite technical, medical and pharmaceutical advances, pandemics such as malaria, tuberculosis and AIDS claimed millions of lives. Notwithstanding the expected panacea from globalization and liberalization, it was vital that global relations should be founded on justice, equity and solidarity.

5. **Mr. Bossina** (Congo) observed that, in the current context of economic growth, the relative increase in official development assistance continued to be insufficient to enable the developing countries to achieve the Millennium Development Goals. As a result, the developed countries must pursue economic policies that took the developing countries into account and fulfil the commitments they had undertaken in Monterrey and Johannesburg. The international financial institutions, for their part, must ensure a balanced and stable global economy. The political will to address the problems inherent in the financing of development and in poverty and hunger had recently begun to emerge. IMF intervention in the resolution of financial crises should be geared to increasing the resources earmarked for the developing countries and to supporting innovative financing mechanisms.

6. The persistent problems of debt and debt servicing continued to impede the developing countries' growth. Praise was due for the efforts of the heavily indebted poor countries that had reached the completion point and so could benefit from the Initiative, although 11, including the Congo, would not meet that requirement if the Initiative came to an end in 2004. The Congo therefore supported the extension of the Initiative and thanked the international community, especially the donors, for their support. At the same time, the forecasts of 7 per cent growth for 2004 should not obscure the enormous disparities that persisted among regions and countries or the fact that the developing countries, exporters of raw materials, continued to be extremely vulnerable. The outcome of the eleventh session of the United Nations Conference on Trade and Development, held in São Paulo, as well as the decision adopted by the General Council of the World Trade Organization (WTO) on 1 August 2004, in which the framework for future negotiations had been defined, could give new impetus to the themes of the Doha programme, following the Cancún debacle.

7. As for the specific situation in Africa, the support being provided by the international community through NEPAD and the work of the Special Envoy of the Secretary-General in Africa were welcome. The commitments made with regard to the financing of NEPAD must likewise be implemented and more resources should be provided to help the continent achieve the Millennium Development Goals and progress towards sustainable economic development. On the other hand, risks such as international terrorism, political instability, geopolitical tensions and oil prices caused major imbalances and posed a threat to the world economy. International cooperation and multilateral efforts to promote development must therefore be strengthened and the commitments made at the summits and conferences held in recent years must be implemented.

8. **Ms. Al-Mulla** (Kuwait) associated herself with the statement made on behalf of the Group of 77 and China and said that regional and international efforts must be coordinated with a view to creating an environment which promoted the achievement of development goals. In order to do so, the needs of the developing countries must be taken into account, they should be actively involved and realistic time frames should be set and followed by all. To that end, the international community must eliminate current disparities in the international financial system, increase the involvement of national and regional mechanisms in decision-making processes and give due recognition to trade as the principal source of financing and growth. In other words, it must establish an open, fair and non-discriminatory multilateral trade system based on the principles of the Doha Declaration.

9. Many developing countries, in particular in Africa, still lacked the necessary resources to implement their development plans. The international community must meet its commitments and encourage foreign direct investment in those countries. In the context of its long-term solidarity policy with the developing countries, Kuwait allocated more than 0.7 per cent of its GNP to development financing in more than 100 countries through various channels, such as the Organization of the Petroleum Exporting Countries (OPEC) Fund for International Development. The slowdown in the world economy was due to a number of very complex factors, including political instability, climate conditions and debt levels; in order to deal with that situation, the fundamental causes of the slowdown must be studied in depth with a view to coordinating all the relevant practical measures. Problems related to the environment and climate should not, however, be forgotten. In a globalized world driven by information and communications technologies it was important to concentrate on creating resources which directly benefited peoples and to promote planning and human development.

10. **Mr. Buffa** (Paraguay), having associated himself with the statements made on behalf of the Group of 77 and China, the Rio Group and the Group of Landlocked Developing Countries, expressed the hope that, in accordance with the Almaty Programme of Action, the landlocked developing countries would receive strong support in the World Trade Organization (WTO) multilateral trade negotiations as well as in other forums, that their agricultural and non-agricultural products would receive special and differential treatment and that they would finally achieve access to markets. The landlocked countries therefore welcomed the recent agreement within WTO to continue the trade negotiations within the framework of the Doha Round. As a result of its geographical and historical handicaps, Paraguay had to make a greater effort to ensure real access for its products to regional and international markets. For example, it had to pay a transport surcharge of some 40 per cent for oil imports, added to the already high fuel costs. It therefore advocated substantial reform of agriculture in three main areas: improved access to markets, elimination of export subsidies and reduction of domestic support.

11. On the other hand, the awareness-raising initiatives adopted recently with a view to implementation of the Millennium Development Goals should be highlighted, in particular efforts to reduce hunger and poverty promoted by the President of Brazil and the special event on fair globalization organized by the Presidents of Finland and the United Republic of Tanzania. The São Paolo Consensus, adopted in June 2004 at the eleventh session of the United Nations Conference on Trade and Development (UNCTAD), had focused attention on the needs of the landlocked developing countries and the surcharges that they had to pay in foreign trade, which hindered their economic and social development. International development and financing organizations and donor countries must provide the necessary support to mobilize more resources on preferential terms and using innovative mechanisms, which would promote the building of the infrastructure needed to physically connect the various means of transport in the landlocked developing countries as well as develop transit routes to seaports.

12. **Mr. Zenna** (Ethiopia), having associated himself with the statements made on behalf of the Group of 77 and China and the African Group, said that globalization had brought into stark contrast the gap between developed and developing countries, although it had also brought with it unprecedented opportunities. The fact that most African countries might not achieve the Millennium Development Goals should be of serious concern to the international community as a whole, which to a great extent was responsible for implementation of the agreed goals. Preparations for the high-level event in 2005 for the comprehensive review of the progress made in the fulfilment of the commitments contained in the United Nations Millennium Declaration provided the Second Committee with an opportunity to make an important contribution, including the internationally agreed development goals and the global partnership required for their implementation.

13. The Committee should likewise promote the provisions of the Monterrey Consensus, although he acknowledged that the developing countries must assume ownership of and responsibility for their development through the creation of an investment-friendly environment, sound policies and investment in human and physical infrastructure. That would, however, require partnership on the part of the developed countries. The international community should adopt a number of measures: first, speedy conclusion of the Doha Round without losing sight of its developmental aspects. To that end, market access initiatives should be complemented by capacity-building for trade and removal of supply-side constraints, in particular in the least developed countries, without neglecting the issue of commodities, which should be discussed with a view to mitigating the impact of international price volatility and the resulting decline in terms of trade on commodity-dependent countries. Second, the developed countries should double their current levels of official development assistance so that the developing countries could achieve the Millennium Development Goals. Third, the debt sustainability of the highly indebted poor countries should be linked exclusively to the achievement of the Millennium Development Goals in those countries, with a view to the substantial reduction or total cancellation of their bilateral and multilateral debt. Fourth, foreign direct investment from the private sector should be encouraged as the most viable long-term source of external financing for development and the best means of transferring the know-how and technology needed for increased productivity and sustained economic growth to the developing countries. Fifth, the international

community should seize the opportunity of the Summit on the Information Society in 2005 to bridge the digital divide. Finally, the Committee should bear in mind General Assembly resolution 56/201 when considering the triennial comprehensive review of operational activities for development of the United Nations system with a view to improving coordination among United Nations funds and programmes at the field level, enhancing ownership by programme countries, further simpiifying and harmonizing procedures and increasing the resources available to the operational arm of the Organization.

14. **Mr. Manis** (Sudan) associated himself with the statements made on behalf of the Group of 77 and China and the Group of African States. When considering the items on the agenda, all Member States should seek consensus in a spirit of collaboration that reflected the desire of the international community to ensure global prosperity through economic cooperation. To that end, it was necessary to reduce the differences between poor and wealthy countries, meet the needs of millions of people in the developing world who aspired to a dignified life, and correct the imbalances in the global trade and economy that adversely affected developing countries and international stability. It was also necessary to rekindle the political will of the leaders who had supported the Millennium Declaration and had been present in Monterrey and in Johannesburg, so as to liberate developing countries, particularly the least developed countries, from the continuing scourge of hunger and poverty. To that end, it was fundamental to act before 2015, supporting family values by appropriate policies and specific measures, and facilitating access to education and health care.

15. The Sudan welcomed the useful initiative of the President of Brazil to find new ways of financing poverty eradication activities and hoped that his recommendations would be followed through. Given the existing imbalances and disparities, an increase in official development assistance and foreign direct investment was needed to help resolve the external debt problem, open up markets and build the capacity of developing countries. Without that assistance, the Sudan's sacrifices and its political and economic reform efforts would have been in vain. He therefore appealed for the General Assembly to generate the political will that would allow the most appropriate ways of fulfilling development commitments to be identified.

16. **Mr. Sopoaga** (Tuvalu), speaking on behalf of the Alliance of Small Island States (AOSIS), associated himself with the statement on behalf of the Group of 77 and China, and said that the high-level event in 2005 to assess progress in complying with the commitments contained in the Millennium Declaration should focus on the adoption of approaches to achieve peace and development and should elaborate effective strategies to address the new challenges. The international community and the donor community should fulfil the pledges made in Monterrey with regard to official development assistance, which had been in constant decline in real terms since 1990. The heavy debt burden and debt servicing, as well as the inadequate flows of foreign direct investment, were further constraining the ability of developing countries, particularly the least developed ones, to achieve the Millennium Development Goals.

17. In Rio, in Barbados and, more recently, at the Johannesburg Summit, the international community had recognized the special case of the small island developing States. Those countries acknowledged their responsibility to build an environment conducive to sustainable development, but also realized that they required assistance from the international community to achieve their goals. However, over the past 10 years, there had not been any significant improvement in the level or quality of the assistance received to implement the Barbados Programme of Action. Accordingly, it was to be hoped that the commitments assumed by the international community would translate into specific measures at the International Meeting on Small Island Developing States to be held in Mauritius in 2005, and that all the Member States would send high-level representatives and participate in the preparatory process. The specific geographical characteristics of the small island developing States made them particularly vulnerable to natural disasters, and their small, open and highly trade-dependent economies made them extremely vulnerable to the realities of the new, competitive global marketplace. In different forums, the AOSIS member States had repeatedly stressed that their economies could not survive unless, during the current Doha Round, the preferential market access arrangement was protected and the erosion of the margins of preference was ended.

18. **Mr. Al Shamsi** (United Arab Emirates) associated himself with the statement on behalf of the Group of 77 and China and said that, despite the slight recovery of the world economy during the second half of 2003, the expansion process had slowed down during the first half of 2004 owing to several factors, such as armed conflicts, foreign occupation, expansion of terrorist acts and the spread of diseases such as HIV/AIDS, malaria and tuberculosis. That had contributed to eroding the resources for financing development and had affected the economies of many regions of the world. Although official development assistance granted to poor and developing countries was appreciated, the progress achieved in that respect had not reached a level that would enable those countries to improve their economic conditions. Consequently, it was important to find sustainable solutions, and accelerate the implementation of the outcomes and recommendations of international summits and conferences that constituted a solid foundation for achieving the Millennium Development Goals. In that respect, it was also important to reform financial and commercial systems so as to improve economic development and the access of developing countries to world markets, and reach an agreement on debt relief strategies that would enable them to use their resources to achieve sustainable economic growth and access information technologies. Moreover, the developing countries should fulfil their obligations to strengthen and reform their economic and social institutions so as to create an environment favourable to development and foreign investment.

19. The United Arab Emirates had achieved sustainable economic development owing to its political stability and the implementation of strategies aimed at human resource development through education and the promotion of social and health services, use of oil profits to diversify national income, strengthening of the economy by investment and development projects, promotion of the private sector, protection of the environment and biodiversity, combating desertification, and application of the latest information and communication technologies. Convinced of the importance of regional and international cooperation in promoting the growth of the global economy, the Emirates had entered into economic and developmental bilateral, regional and international arrangements, had made contributions to most of the United Nations development agencies, and had opened up its labour market to foreign workers, mostly from developing countries, who had sent back to their countries of origin remittances totalling $11 billion. Also, the Government had granted assistance, in cash and in kind, to many developing countries and contributed to reconstruction operations in Kosovo, Afghanistan, Palestine and Iraq.

The meeting rose at 6.20 p.m.

United Nations A/C.2/59/SR.8

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Second Committee

Summary record of the 8th meeting
Held at Headquarters, New York, on Tuesday, 12 October 2004, at 10 a.m.

Chairman: Mr. Balarezo ..... (Peru)

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Organization of work

Agenda item 83: Macroeconomic policy questions

(b) International financial system and development

(c) External debt crisis and development

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04-54632 (E)

The meeting was called to order at 10.15 a.m.

Organization of work

1. **The Chairman** said that in accordance with the arrangements set out in paragraph 4 of the second report of the General Committee on the organization of the fifty-ninth regular session of the General Assembly and the allocation of agenda items (A/59/250/Add.1) the relevant questions in chapter I of the report of the Economic and Social Council for 2004 would be considered by the Second Committee.

Agenda item 83: Macroeconomic policy questions (A/59/80-E/2004/61, A/59/80/Corr.1-E/2004/61/Corr.1, A/59/115 and A/59/155-E/2004/96)

(b) International financial system and development (A/59/218)

(c) External debt crisis and development (A/59/219)

2. **Mr. Kregel** (Chief, Policy Analysis and Development Branch, Department of Economic and Social Affairs), introducing the report of the Secretary-General on the international financial system and development (A/59/218), recalled that past United Nations resolutions had encouraged increased net inward transfers of financial resources to the developing countries because they supplemented gross domestic saving and allowed countries in the early and middle stages of economic development to achieve higher levels of investment and growth. Since 1997, developing countries had made increased net outward financial transfers in every year and in 2003 total net transfers from developing countries had risen to an estimated $248 billion, surpassing the previous peak. There had also been a net outward financial transfer of $28 billion from transition economies. In the case of eastern and southern Asian countries the large net outward transfers of resources in 2003 had been the result of continued strong export growth complemented by policies to support domestic demand. In Latin America the transfers had largely been the result of policies designed to compress domestic expenditure and to repay and service external debt.

3. In high-saving economies, net outward transfers might be part of a rational development strategy if the resources could earn higher returns abroad than at home. However, in many Asian countries the recent increases in net flows had primarily been used to augment foreign exchange reserves. Since the bulk of reserves were held in low-risk and low-yield government securities of developing countries, it was not clear that they provided superior returns.

4. In a number of emerging market economies, the increased reserves were the result of the decision by monetary authorities to avoid appreciation of their currencies. They also reflected the decision to provide "self-insurance" against the negative impact of capital account volatility on growth. While the costs of holding reserves might be reduced with more flexible exchange rates, in the absence of clear evidence that similar benefits could be attained, most countries had resisted that suggestion. Such insurance was to have been provided by the contingent credit line introduced by the International Monetary Fund (IMF), but the facility had never been used and had now lapsed without replacement. An attractive facility that would provide pooling of reserves would remove some of the incentives to hold large reserve balances.

5. The net outward transfer of resources from developing to developed countries had coincided in 2003 with an increase in net capital flows to many developing countries and countries with economies in transition. Those net flows had been boosted by a recovery in private financial flows to the highest level since the Asian financial crisis in 1997.

6. Foreign direct investment (FDI) continued to be the most important source of external financing for developing countries, although net inflows of FDI in 2003 had fallen to their lowest level in nearly a decade. The fall in FDI had, however, been more than compensated by other private flows so that net private capital flows to developing countries had shown a considerable increase to more than $131 billion in 2003, their highest level since 1997.

7. Net official flows had continued to decline in 2003 as net flows from the multilateral development and financial institutions fell to negligible levels, despite considerable increases in flows of official development assistance from the member countries of the Development Assistance Committee of the Organization for Economic Cooperation and Development.

8. The major focus of international financial system reform in 2003 had been on early identification of

debt-related systemic vulnerabilities, strengthening the role of surveillance and enhancing its pro-growth orientation, and better coordination of multilateral and regional surveillance. Continued incidents of corporate fraud and mismanagement had renewed concerns, particularly in developed countries.

9. Surveillance by IMF which had previously focused mainly on macroeconomic policies had now included measures to improve the transparency of national policies, observance of various standards and codes, and financial sector soundness. Since insufficient attention was given to the policies of the major developed countries, assessing the impact of developed economy policies should be among efforts to further improve the overall surveillance framework.

10. Better assessment of a country's debt burden and its ability to service that debt was particularly important to both crisis prevention and resolution. In 2002, IMF had introduced a new analytical framework that was now being applied in the context of surveillance and in the use of IMF resources. It could also guide debtors and creditors in their discussions on how much debt reduction was required in order to reach a manageable schedule of repayments over time.

11. The increasingly frequent financial crises in the 1990s had renewed interest in regional monetary cooperation as a means of achieving greater regional financial stability. The most advanced of those initiatives was the Chiang Mai Initiative adopted by the Association of South-East Asian Nations (ASEAN) plus China, Japan and the Republic of Korea to strengthen regional cooperation through an expanded network of swap facilities among their central banks and regional policy dialogues to improve cooperation in the areas of surveillance and monitoring capital flows. Policy discussions were also under way in other developing country regional groupings, including the West African Economic and Monetary Community, the Central African Economic and Monetary Community, the East Caribbean Currency Union and the Maghreb countries associated with the European Union.

12. A critical component of crisis resolution was having clear parameters for official intervention. To improve official responses to capital account crises, IMF had introduced a framework to provide larger loans than were normally allowed if a country met certain criteria, the most controversial of which being on debt sustainability. In order to be credible, those judgements should be as consistent as possible in providing signals to markets concerning when the international community's support would be forthcoming.

13. When debt burdens were truly unsustainable, Fund support should be accompanied by orderly, predictable and effective debt restructuring. Otherwise, committing new IMF resources might compromise the Fund's credibility, thereby making the whole process of crisis resolution more difficult. In recent years, efforts had been made to develop a strategy capable of helping insolvent middle-income countries return to long-term debt sustainability and restore access to private financing. In that connection, it had been suggested that the implementation of the Fund's "lending into arrears" framework should be strengthened.

14. Although progress had been made on several important issues relating to the process of debt restructuring, agreeing on a statutory approach to reaching a speedy and fair agreement with creditors that might help reduce the social and economic costs of default would probably continue to be a major challenge.

15. The Monterrey Consensus stressed the need to broaden and strengthen the participation of developing countries and countries with economies in transition in economic decision-making, both in multilateral intergovernmental institutions and ad hoc forums setting special standards. However, despite a number of reports on the issue, too little progress had been made in addressing the representation of Member countries on executive boards and devising a new formula for assigning votes. Those issues were complex, but critically important for efficient and equitable representation of Member States.

16. **Mr. Busuttil** (Director for Management, United Nations Conference on Trade and Development (UNCTAD)) introduced the report of the Secretary-General on the external debt crisis and development (A/59/219) which complemented the Secretary-General's report on the follow-up to and implementation of the outcome of the International Conference on Financing for Development (A/59/270). The report provided an analysis of the evolution of debt indicators of developing countries and countries with economies in transition in the context of recent developments in international trade and payments, and in international capital markets. It gave an assessment

of debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative and debt restructuring at the Paris Club and it also discussed a number of aspects of debt management in developing countries and recent developments with regard to mechanisms that could help solve problems related to sovereign debt owed to private creditors.

17. It was generally recognized that increased and concerted efforts must be made to reach a lasting solution to the external debt problems of developing countries, not least as debt servicing at any level was incompatible with attaining the goals of the United Nations Millennium Declaration. As had been stressed in a recently published study by UNCTAD on Africa, in order to ensure that Africa would be able to reduce poverty by half by 2015, in accordance with the Millennium Development Goals, growth levels at the very least would have to double to some 7 per cent or 8 per cent per annum for the next decade. The financial requirements of such an increase were incompatible with present and projected levels of debt servicing. The debt profile of those countries had moved from sustainability in the 1970s to crisis in the first half of the 1980s with much of the debt being contracted between 1985 and 1995 under the guidance of structural adjustment programmes. Thus, low levels of savings and investment leading to high poverty and adverse social conditions were among the biggest constraints on growth in low income countries. Continuing debt servicing by heavily indebted countries would nominally constitute a reverse transfer of resources to creditors by a group of countries that could least afford it.

18. There was a need for the assessment of debt sustainability based on a realistic and comprehensive set of criteria, including those of meeting the Millennium Development Goals. That was particularly so because the HIPC Initiative failed to take account of domestic debt, which in recent years had become an important factor in the total indebtedness of African countries.

19. It should also be stressed that even full debt forgiveness would only be a first step towards restoring growth and meeting the Millennium Development Goals. In the case of the poorest countries, UNCTAD had estimated that such a write-off would represent less than half of those countries' resource requirements, with the gap filled by increased official development assistance (ODA) grants as a prelude to increasing the level of domestic savings and investment required for robust and sustainable growth.

20. Eight years after the launching of the HIPC Initiative, despite some initial progress, heavily indebted poor countries were still far from achieving sustainable debt levels. It was therefore becoming increasingly doubtful whether HIPC beneficiaries could attain sustainable debt levels, based on export and revenue criteria, after completion point, and maintain those in the long term. It was also noted in paragraphs 30 and 34 of the Secretary-General's report that account should be taken of the country-specific character of debt sustainability such as the dependence of many low-income countries on one or a small number of primary commodities.

21. Finally, in order for any debt relief framework to deliver tangible results, poor countries needed actively to pursue policies for prudent debt management, economic diversification and sustained economic growth. In the case of Africa, for example, the New Partnership for Africa's Development (NEPAD) had set up a framework for that undertaking. However, the international community had to recognize the need to improve access to markets and for much increased investment in human and physical infrastructure.

22. **Mr. Chowdhury** (Under-Secretary-General and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States) emphasized the seriousness of the debt burden for the 50 least developed countries (LDCs), the poorest and weakest segment of the international community. He recalled that the participants in the Third United Nations Conference for the Least Developed Countries had acknowledged that outstanding external debt greatly inhibited the ability of more than one half of the LDCs, considered "debt distressed" to make any meaningful effort to implement their development plans.

23. The latest UNCTAD report on the LDCs estimated that the total external debt of the 46 LDCs for which data were available had increased by around $7.6 billion from $137.3 billion in 2001 to $144.9 billion in 2002 despite efforts towards debt forgiveness.

24. The seriousness of the situation was particularly striking in the light of the fact that, in 2002 alone, the LDCs paid about $5.1 billion as interest on their debt and that that amount was nearly one third of the

official development assistance volume of $17.5 billion to all least developed countries for the same period. For some LDCs, the debt service absorbed more than one quarter of their public income.

25. Such a huge debt service payment by the LDCs resulted in the regular diversion of a large part of scarce budgetary resources from crucial poverty reduction, food security, education and health programmes. The situation was exacerbated by the HIV/AIDS pandemic and recurrent natural disasters as a result of which those countries were being forced to choose between servicing their debts and making investments in health, education and infrastructure. The Secretary-General's support on the external debt crisis and development (A/59/219) described the complexity of the relationship of those two problems.

26. The HIPC Initiative was slow and insufficient and had not provided a durable exit from the debt problem as expected. The current composition of the Initiative illustrated that external debt principally concerned the LDCs. As of September 2004, 30 out of 38 countries eligible under the Initiative had fulfilled their debt-relief requirements. Since the establishment of the Initiative, only 10 of the LDCs had reached completion point, 11 had reached the decision point and 9 had yet to be considered for a debt-relief programme under the new enhanced Initiative.

27. IMF and the World Bank had themselves observed that some completion-point countries, such as Uganda, currently had debt ratios exceeding sustainable levels as defined by the Initiative. Various reasons had been listed, including the drastic fall in commodity prices between the late 1990s and the end of 2002, over-optimistic assumptions for economic and export growth and, in some countries, new borrowings.

28. It was good news that it had been agreed the previous week to extend the HIPC Initiative for another two years. He stressed the importance of alleviating the debt burden of the LDCs; given the insignificant size of their total debt in the global financial context, it was doubtful that a write-off would have major repercussions.

29. It was widely recognized that unsustainable debt presented a serious impediment to development, especially in the LDCs, which had little chance of making any progress in combating poverty while repaying debt. Their levels of debt seriously compromised much-needed public investment in human development and their struggle with the HIV/AIDS pandemic, as well as their attainment of the Millennium Development Goals. Clearly, if the Millennium Development Goals were to be met, the never-ending debt of all LDCs must be fully written off without further delay. That should not be seen as an act of charity, but as an action in the best interest of the peoples of the world. In the run-up to the stock-taking summit for the Millennium Development Goals in 2005, decisive action cancelling all those debts would be a worthwhile expression of international solidarity. He called for the support of development partners, including civil society, for that action.

Question time

30. **The Chairman** raised the issue of the current tendency of countries to amass foreign exchange reserves, even if it put them heavily into debt, without daring to spend them on their development because of their fear of a financial crisis and wondered what could be done to avert financial crises, restore the balance of foreign exchange reserves and encourage greater use of national revenues. He would also like to know why some countries had a much higher debt-to-exports ratio than others.

31. **Mr. Kregel** (Chief, Policy Analysis and Development Branch, Department of Economic and Social Affairs) said that since the Asian crisis a number of emerging market countries had opted to use their considerable trade surpluses to boost foreign exchange reserves as a "self-insurance" strategy against capital-account volatility. However, those reserves were often held in low-yield government securities.

32. Those countries had not applied to IMF, the main body for providing foreign exchange reserves, because the resources supplied through the Fund's lending programmes did not suffice to allow them to cope with substantial deficits. It would therefore be useful to make more resources available to countries. Countries resorted to two practices designed to achieve the same objective: faced with unstable capital flows, some used their trade surpluses to amass foreign exchange, while others used them to reduce their outstanding debts. IMF was currently finalizing an early-warning mechanism that would make it possible to forestall financial crises and shifts in capital flows. Although good indicators existed, it was still difficult to determine exactly when a crisis would occur.

33. Another solution would consist in greater flexibility of exchange rate management, although opinion differed on that subject too, since some countries believed that having fixed exchange rates would help to ensure constant growth.

34. **Mr. Manis** (Sudan) said that the LDCs had undertaken to pursue a policy geared to the interests of the people but that their heavy debt burden made it very hard for them to pursue the Millennium Development Goals.

35. **Mr. Ramadan** (Lebanon) observed that it was difficult for the LDCs to honour their debts, which often entailed cutting back on social spending, and still expect to attain the Millennium Development Goals. Ten years after its establishment, the HIPC Initiative had failed to yield the expected results. The time had come to review the conditions required for debt alleviation in that context.

36. **Mr. Léglise-Costa** (France) asked whether one should not see in the sizeable negative balance of transfers of financial resources a sign that the developing countries had rediscovered some degree of growth and preferred to invest in the developed countries' markets.

37. **Mr. Kregel** (Chief, Policy Analysis and Development Branch, Department of Economic and Social Affairs) explained that the HIPC Initiative had been extended for two years and that the World Bank and IMF were engaged in developing improved debt indicators, which would be applied once the two institutions had agreed on their definition in connection with the lending programme. Also, several other initiatives had been launched with a view to alleviating the debt of countries with similar characteristics to those involved in the HIPC Initiative and to helping debtor countries reconcile their debt repayment imperatives with their fulfilment of the Millennium Development Goals.

38. Replying to the representative of France, he acknowledged that the negative balance of resource transfers was indicative, up to a point, of the economic growth of various developing countries, but that it also meant that those countries were using their trade surpluses to establish reserves of foreign exchange from the developed countries and not for investment in developing countries. All in all, that growth had little direct impact on the developing countries but a more serious effect on the developed countries, hence the alarming nature of the deficit.

39. **Mr. Mushy** (United Republic of Tanzania) wondered about the very concept of debt tolerance. In order to be able to attain the Millennium Development Goals, many already heavily indebted countries were continuing to borrow at ever-increasing interest rates. It would perhaps be wiser to sustain full debt cancellation rather than continue to promote the HIPC Initiative, which had not produced the results expected of it. One might also wonder about the responsibility of creditors, who should take a new look at their lending policies.

40. **Mr. Kregel** (Chief, Policy Analysis and Development Branch, Department of Economic and Social Affairs) explained that debt tolerance referred to a country's capacity to repay its debt without compromising its own development or its pursuit of the Millennium Development Goals. He acknowledged that the existing debt indicators were unsatisfactory and that more appropriate ones needed to be defined. Full debt cancellation was in fact supported by some countries, which also advocated increasing the share of grants in the transfer of resources. Attempts were also being made to ensure that creditor countries harmonized their policies for bilateral loans to the developing countries.

41. **The Chairman** requested clarification from the representative of IMF of the reasons for extending the Initiative and of the Fund's new debt-analysis framework.

42. **The representative of the International Monetary Fund** (IMF) said that the Initiative had been extended for two more years in order to benefit a greater number of countries. Currently, the Fund was reviewing its debt sustainability analysis framework for low-income countries in order to render it more operational.

43. **The Chairman** invited participants to begin the general debate on agenda items 83 (b) and (c).

44. **Mr. Al-Mahmoud** (Qatar), speaking on behalf of the Group of 77 and China, said that social development had always been a priority. Although ODA had increased, it still fell below the expectations of developing countries, which were committed to attaining the Millennium Development Goals. It had therefore become important for developed countries to

contribute more to ODA. With a view to participating in the decision-making of the international financial institutions and to promoting dialogue aimed at addressing the development needs of the developing countries, the Group of 77 and China awaited with interest the findings of ongoing or planned studies on the technicalities of development financing.

45. The indebtedness of many developing and transition economy countries continued to increase, and only a few countries had reported increased export earnings. Countries had the concurrent obligations of maintaining debt sustainability, achieving long-term growth and reducing poverty. To address the external debt crisis, debt policy should be more closely linked to growth and development in order to reflect country-specific debt sustainability and to incorporate the required flexibility in setting and applying thresholds and considering various scenarios to deal with the ever-present possibility of external shocks. The Group of 77 and China remained convinced that estimates of national debt sustainability should be based on a country's capacity to carry out its own development and achieve the Millennium Development Goals. Special measures needed to be instituted to assist the highly indebted poor countries to recover from financial crises due to the collapse of commodity exports or natural disasters. Mechanisms should also be put in place to provide debt relief for countries experiencing or emerging from conflict within the framework of a strategy aimed at establishing lasting peace.

46. The external debt crisis could be resolved only with the cooperation of creditors and debtors alike. For that reason, the Group of 77 and China remain convinced that debt relief would free resources that countries could then devote to poverty alleviation, economic recovery and sustainable development.

47. Developing countries would more easily be able to pay back their debt if they could find export markets and improve their productivity with the help of the international community. The Evian approach, devised as a more flexible way to address the problems of indebtedness and other aspects of debt management in developing countries, should be further considered, as should the mechanisms adopted by the international community to resolve issues of sovereign debt owed to private creditors.

48. **Mr. Van den Berg** (Netherlands), speaking on behalf of the European Union (EU), the candidate countries (Bulgaria, Croatia, Romania and Turkey) and the stabilization and association process and potential candidate countries (Albania, Bosnia and Herzegovina, Serbia and Montenegro and the former Yugoslav Republic of Macedonia), said that for the Millennium Development Goals to be achieved in sub-Saharan Africa, urgent action would have to be taken to save the lives of millions threatened by armed conflict and the HIV/AIDS pandemic, among other things, and give the countries of that region a chance to develop.

49. The full implementation of the Monterrey Consensus was crucial for reaching the Millennium Development Goals, yet, as indicated in the report of the Secretary-General on the international financial system and development (A/59/218), much remained to be done in that regard. Developing countries should strengthen their efforts to fulfil the commitments they had made in Monterrey by ensuring good governance and mobilizing optimal domestic resources, while developed countries should fulfil their commitments relating to ODA, trade and development and debt relief.

50. The Union was fully aware of its responsibilities in that regard. The European Commission reported annually and publicly on the implementation of the Barcelona commitments in the context of the preparations for the Monterrey Conference and was currently reviewing the progress made to date in the implementation of the Millennium Development Goals, including Goal 8 on forging a global partnership for development.

51. Under the Barcelona commitments, the EU member States had reaffirmed their commitment to devoting 0.7 per cent of their gross national product to ODA. It seemed likely that the Union would not only meet its ODA commitments but actually exceed them. All the new member States were currently making the transition to become donor countries and were committed to implementing EU development policy.

52. In line with the second commitment made in Barcelona and as further developed in the Rome Declaration on Harmonization in 2003, more effective use must be made of ODA. Improving the quality of ODA would require all development partners to enhance joint planning, joint financial arrangements and joint monitoring and evaluation. It was particularly

important for the partner country to own the process and to make maximum use of its systems, procedures and policies, including country poverty reduction and other strategies. In that regard, the Union would seek complementarity with existing initiatives.

53. With regard to trade, policy coherence should be sharpened and become more development-focused. Progress had been made in that respect, notably with the adoption of the trade integration mechanism by IMF. The European Union remained fully committed to an open, equitable, rules-based, predictable and non-discriminatory multilateral trading system and a successful Doha Round, including progress towards a substantial reduction of subsidies for agricultural products and further improvements in market access for developing countries. It was allocating on average 700 million euros annually to trade-related technical assistance, which made it the single largest donor for such assistance. Its efforts, however, could only succeed if developing countries mainstreamed trade into their national development strategies. In that connection, the Union was committed to regional integration and supported South-South trade, as it had stated at the eleventh session of the United Nations Conference on Trade and Development held at São Paolo in June 2004.

54. The Union remained committed to helping to resolve the debt problem of developing countries and supported the HIPC Initiative, providing about 60 per cent of the financing. In addition, all EU countries had announced their intention of exceeding HIPC targets by providing officially 100 per cent of bilateral pre-cut-off date debt relief for HIPC countries. To make sure that developing country debts did not reach a threshold that would be impossible to sustain in the long term, since debt sustainability remained an essential condition for their economic stability, growth and development, a thorough, case-by-case assessment should be conducted.

55. The Union felt that it would be helpful to prepare, on development issues, a single report which would give a sharper focus to the development policy debate. The Secretary-General's report on the follow-up to the International Conference on Financing for Development, for example, could address the issues of trade, debt and the international financial system, which were currently dealt with in other reports.

56. With regard to the Millennium Development Goals, the Union looked forward to reviewing proposals for innovative financing with great interest and would judge them on their practical feasibility, predictability and sustainability. In that regard, it welcomed the opportunity to examine them thanks to the study sponsored by Brazil, Chile, France, and Spain, to other initiatives of EU member States, and to the report by the World Institute for Development Economics Research of the United Nations University on innovative resources for development. Its first priority, however, remained increased ODA, improved efficiency of aid and other steps agreed at Monterrey.

57. In keeping with the Monterrey Consensus, the European Union had encouraged, and would continue to encourage, IMF and the World Bank to find practical, innovative methods of broadening developing countries' participation in decisions regarding development financing, which, as the Secretary-General had stated, was an important issue. To that end, it would be wise to improve procedures and strengthen capacities at the country level by invigorating the process for drawing up poverty-reduction strategy documents and supporting capacity-building initiatives. Another interesting possibility lay in giving developing counties a greater say in decisions by increasing the number of votes they had in multilateral financial institutions.

58. **Ms. Zhang** (China) said that, although the world economy had clearly been picking up since the beginning of the year, developing countries were obviously still struggling to consolidate the foundations of their economy and protect themselves from economic risks. As they were inadequately represented in world financial organizations, they might well become the first victims of any financial squeeze. The international community should therefore vigorously promote structural reform in the global financial system.

59. In that connection, the United Nations should make full use of its influence to speed up that reform. The new world financial system should respect the principle of equality and mutual benefit, permit developing countries wider participation in the running of world economic affairs and reduce their financial risks. The reform should not, however, be limited to asking those countries to improve the efficiency and transparency of their financial systems, but should also make it possible to supervise and rationalize worldwide

flows of financial resources and to create early warnings systems and mechanisms to handle crises.

60. Debt had long stymied developing countries' socio-economic development. Under the HIPC Initiative one third of their debt had been exempted, but it still stood at some US$ 90 billion. Scaling back the developing countries' levels of debt was essential for those countries, especially the least advanced among them, if they were to eradicate poverty and achieve economic development.

61. There were historical and political reasons for the situation in which the developing countries found themselves, but it was also the product of an unfair and unreasonable economic order. The international community therefore had a duty to provide developing countries with practical assistance so that they could free themselves from the debt trap and secure economic development. The developed countries, as the main creditors, should engage in a determined effort to honour the commitments they had given at the International Conference on Financing for Development, something which new global monitoring mechanisms should ensure. Similarly, the relevant international and regional agencies should continue, by various means, to help developing countries to build capacity and, when they provided policy guidance and financial assistance, they should pay due heed to those countries' particular needs and implementation capacity and suggest feasible reforms and development plans.

62. In an attempt to solve the developing countries' debt problem, her Government had made enormous efforts within the framework of South-South cooperation. For example, it had adopted measures in favour of the developing countries in the China-Africa Cooperation Forum and at the ASEAN 10 + 3 Summit and had undertaken to steadily increase the aid it was channelling to Africa through the China-Africa Cooperation Forum, to remove customs duties from certain imports from the least advanced African countries and to augment its financial contribution to the African Human Resources Development Fund. Furthermore, it was prepared to join with other countries in exploring new ways of further lightening the developing countries' debt burden.

63. **Mr. Chulkov** (Russian Federation) said that his country supported the setting up of an effective mechanism to monitor the international financial architecture and the framing of appropriate measures and strategies for responding rapidly to crises and preventing global shocks in the long term, since a stable and efficient financial system was a sine qua non of internal and external conditions facilitating the attainment of sustainable development goals and promoting larger financial flows to developing countries and countries with economies in transition.

64. The Russian Federation was pleased to note that work on stricter surveillance was continuing at IMF. In that context, the possibility of setting up a separate regional monitoring instrument should be studied.

65. The timely identification of potentially vulnerable economic sectors in various countries was very important. In that respect, his Government was convinced that, in the long term, despite the difficulties posed by its implementation, the balance-sheet approach, which would combine indicators of vulnerability in both the public and private sectors, might become one of the main surveillance tools.

66. As for the financial instruments of the Fund, as the Secretary-General had so rightly noted, the contingent credit line had never been used and had ultimately expired. At the same time, the idea of simplifying access conditions to the Fund's resources for countries which pursued a responsible economic policy was still relevant. Current proposals for improvements to preventive financial instruments should offer alternative solutions in that area. Furthermore, it would be desirable to strengthen the role of the Bretton Woods institutions in the surveillance of speculative capital flows and offshore centres' activities, as well as in combating the financing of terrorism and money laundering.

67. The question of broadening the participation of developing countries and countries with economies in transition in the decision-making processes of international financial institutions had to be viewed primarily from the angle of boosting the efficiency of development aid. Those institutions' activities had to be subordinated to the interests of client countries. The issue of redistributing votes at the World Bank or IMF, which had been central to debates for some time, would inevitably entail a futile confrontation between protagonists which was likely to jeopardize the principle of consensus. The Russian Federation was striving to secure the adoption of pragmatic decisions which would solve current practical problems without

giving rise to dissension or requiring a revision of international financial institutions' statutes.

68. The support which the Russian Federation had given the HIPC Initiative had been crucial to its actual implementation, especially as the volume of financial aid disbursed by the other creditors had depended on the amount of relief granted by Russia. As far as the sum total of those reductions was concerned, Russia was fourth among donors and, by reference to GDP, it came first. Having said that, the HIPC Initiative and the new strategy aimed at ensuring the viability of external debt were merely instruments and in no way guaranteed that the poorest countries would manage to extract themselves from debt. Debt relief would not produce the desired results unless it was accompanied by sensible financial, economic and budgetary policies, structural reforms, a strengthening of public institutions and a more propitious investment climate in the poorest countries. Experience showed that constantly upping the volume of loans and simultaneously cancelling previous debts was irrational. That practice damaged fiscal transparency, weakened the international financial architecture and taught borrowing countries bad habits. It was necessary to reconsider the problem and to find a solution based on a comprehensive approach. The Fund and the World Bank should think about devising new financial regulatory mechanisms which would not lead to mounting debts.

69. **Mr. Jha** (India), having stated that his delegation associated itself with the statement made by the representative of Qatar on behalf of the Group of 77 and China, noted that the report of the Secretary-General on the external debt crisis and development (A/59/219) said that the net transfer of resources to developing countries had remained negative, reaching an alarming level of $248 billion in 2003. Net inflows of foreign direct investment to those countries had fallen to their lowest levels since 1996 and resources provided by multilateral development and financial institutions had continued to decline. There was also a significant shortfall in ODA in comparison to the commitments made at the Monterrey Conference and increases in such assistance thus far were mostly reflected in debt forgiveness rather than development aid. Reform of the international financial system was therefore a matter of great urgency.

70. As the report of the Secretary-General indicated, the developing countries had taken a wide range of measures in recent years to strengthen financial regulations and supervision in order to lessen their susceptibility to external shocks. The international community needed to take measures to reduce the developing countries' exposure to such shocks, to sustain the global recovery process and to correct global imbalances among countries. That would require a coordinated and cooperative approach, together with determination to share equitably the burden of necessary adjustments.

71. Economic surveillance must be exercised to improve countries' resilience to economic shocks and market fluctuations and, ultimately, to prevent crises, but much remained to be done to strengthen the effectiveness of surveillance. One particular problem was that developing countries did not perceive the policy recommendations made to them as adequately taking into account their priorities, as well as their institutional framework and circumstances. As the Secretary-General had proposed, surveillance should be oriented towards the policies of the developed economies, making it possible to improve the overall surveillance framework.

72. Another important dimension in crisis prevention would be for multilateral financial institutions to develop financial facilities for contingent situations, to help countries to deal with crises. That would inspire confidence in the market and minimize the contagion risks arising out of fluctuations in private capital flows. The creation by IMF of a trade integration mechanism was a welcome development.

73. As for the regulation and supervision of the financial sector, as the Secretary-General had stated in his report on the international financial system and development (A/59/218) the New Basel Capital Accord did not necessarily respond to all the concerns of the developing countries. It was important to ensure the effective and equitable participation of developing countries in the formulation of financial standards and codes. Although a number of proposals had been mooted with a view to redesigning the international financial architecture in that direction, there had been little progress. The high-level meeting to be held in 2005 pursuant to General Assembly resolution 58/291 should lead to decisions in those matters.

74. His delegation welcomed discussions on innovative financial mechanisms and sources of financing, but those should not diminish the existing

level of resource flows or deny the need for greater participation by the developing countries in international financial institutions and their functioning and decision-making. Also, they should not enable the developed countries to shirk the obligations they had undertaken in the area of ODA or lead to greater burdens on developing countries.

75. The debt problems faced by low- and middle-income countries continued to act as severe constraints on their economic development and prevent them from achieving the Millennium Development Goals. The operational framework for measuring debt sustainability in respect of those countries, therefore, must strike an appropriate balance between rules and discretion in relation to their obligations.

76. The need for a speedy conclusion of the fourteenth replenishment of the International Development Association could not be over-emphasized. Also, if it came into effect, the possibilities offered by the fourth amendment to the IMF Statutes, as approved by the Board of IMF in 1997, to grant special allocations of special drawing rights must be utilized to the full.

77. **Mr. Mustapha** (Nigeria) said that his delegation aligned itself with the statement made by Qatar on behalf of the Group of 77 and China. The Secretary-General's reports (A/59/218 and A/59/219) painted a familiar picture of an international financial system in which the net transfer of resources was from developing to developed countries. In the absence of real political will on the part of the developed countries, the developing countries were not able to make themselves heard or to participate in the functioning of the international financial system. They therefore remained vulnerable to global uncertainties and were at the mercy of incoherence between policies and measures adopted to promote their economic growth and development.

78. As for the surveillance exercised by IMF, the latter should do more to increase the transparency of its assessments of the financial sector in member countries. By focusing on monitoring the implementation of the programmes it was financing rather than on national priorities and needs, it was likely to commit errors in assessing the results of its policies. Nigeria hoped that the pilot case studies undertaken by IMF in a number of countries in order to protect public investments would not be concentrated in one region of the world, as seemed to be the case according to the Secretary-General's report.

79. Turning to the issue of representation of African countries in international financial institutions, the democratic governance deficit currently existing in the operations of those institutions should be addressed urgently. In particular, his delegation strongly believed that Africa's gross underrepresentation on the Boards of the World Bank and IMF must be addressed. The creation of additional positions for representatives of the two African groups in the offices of the administrators representing certain developing countries and in the capitals of those countries, desirable though it was, would be seriously insufficient; only a structural reform of those institutions would give Africa greater representation.

80. As for the external debt crisis and development, Nigeria knew from experience that external debt obligations over a prolonged period could jeopardize development efforts. In Africa, where the external debt crisis was very acute, money spent on servicing the external debt and other debts was money taken away from much-needed social programmes. His delegation had emphasized that point during the fifty-eighth session of the General Assembly, but was raising the matter again because the situation had not changed, and had even worsened in many African countries.

81. Salutary as the HIPC Initiative might be, its drawback was that it took a piecemeal approach to the debt problem, which required a more comprehensive and radical solution. The international community should take urgent steps to give effect to the provisions of the numerous General Assembly resolutions on the subject.

82. In the absence of a multilateral forum or instrument to resolve the external debt crisis, his delegation remained convinced that the United Nations offered the best opportunity to seek a lasting solution to that pandemic. A debate on external debt, in the context of the dialogue held every spring by the Economic and Social Council with the Bretton Woods institutions was a good way to seek a solution that would be in the interest of all members of the international community.

83. **Mr. Amayo** (Kenya) said that his delegation associated itself with the statement made by Qatar on behalf of the Group of 77 and China. He noted that the scenario described in the report of the Secretary-

General (A/59/218), particularly the increase in net outward financial transfers from the developing countries and a further decline in net official flows, was not favourable to the developing countries. There was an urgent need to define a strategy to reverse those negative flows, including appropriate measures to increase FDI flows to the developing countries, reform the international banking sector and solve the external debt problem of the developing countries.

84. Although developing countries were playing an increasingly important role in the world economy, they continued to be underrepresented in international economic and financial decision-making bodies. The decision-making process of the multilateral financial institutions still lacked transparency and democracy, contrary to the global trend. There was a need to reform the system of appointments to top positions in those institutions in order to ensure truly equal opportunities for all countries.

85. The total external debt of developing countries and countries with economies in transition had increased in 2003 and there had been a corresponding rise in private debt in sub-Saharan Africa. The ratio of total debt to gross national income had also continued to worsen, particularly in Africa, Latin America and the Caribbean. The servicing of external debt had been a major constraint on developing countries, particularly in Africa. The need to maintain debt sustainability in order to maintain good relations with the Bretton Woods institutions had seriously compromised Kenya's efforts to promote long-term growth and to implement poverty-reduction strategies. With the country's commitment to debt servicing, there remained no available resources for investment in the productive sector and that situation had been further worsened by the poor performance of export commodities in the international markets and the negative effects on the tourism sector.

86. The implementation of the HIPC Initiative was progressing too slowly. In order to ensure its success it was necessary, in particular, to make the rules on decision points more flexible and adopt more realistic debt sustainability criteria. Many low-income countries such as Kenya, which did not qualify for the HIPC Initiative, continued to bear a heavy debt burden and to service their debt at the expense of investment in infrastructure and social amenities. That situation was not sustainable given the enormous difficulties faced by the Government of Kenya in its drive to achieve the Millennium Development Goals. During the current year, his country had obtained debt restructuring in the context of the Paris Club but that would do no more than provide some relief in the short term. The possibilities of the Evian approach and other innovative measures should therefore be explored in order to ensure a lasting solution to the debt problem for those countries that did not benefit from the HIPC Initiative. Priority should also be given to debt cancellation to give developing countries disposable income for investment in the productive sectors and to replace loans to finance project by grants which had higher long-term impacts.

87. **Mr. Pramanik** (Bangladesh) associated his delegation with the statement made by the representative of Qatar on behalf of the Group of 77 and China, and wished to make some additional remarks.

88. For a number of years, the developing countries had been suffering from a net outflow of resources. They had expressed their concerns on many occasions in various forums, including the Second Committee, but nothing had changed. It was absolutely essential to reverse that trend. The volume of ODA remained far below the agreed target of 0.7 per cent of gross national product, despite a slight improvement following the Monterrey Conference. New and innovative means of increasing the current flow of ODA had to be explored. Bangladesh welcomed the proposal to establish an international finance facility and also the recommendations of the expert group set up following the launch of Action against Hunger and Poverty. His delegation was encouraged by the international initiatives for crisis prevention and resolution. The financial sector assessment programme of the World Bank and IMF could prove useful but should not entail new conditionalities. The reforms suggested must take into consideration the social and human consequences.

89. Most developing countries were susceptible to external shocks. That applied particularly to the LDCs, most of which were single commodity exporting countries. Trade financing therefore needed to be made secure and predictable and the larger economies had a greater responsibility in maintaining the stability of the world economy.

90. Despite broad recognition of the need for greater representation of the developing countries in the

international financial decision-making process, little progress had been made to that end. Political will on the part of the development partners would be required to accommodate the wishes of the developing countries in that connection.

91. The debt scenario remained grim for the developing countries, among which the LDCs were the most seriously affected. The serious debt problems of the LDCs required a comprehensive solution. Even though Bangladesh was not a heavily indebted country, it still felt the impact on its resources when repaying its debt. Total cancellation of the bilateral and multilateral debts of the LDCs would release resources that could be used for basic human needs such as food, health, shelter and sanitation, access to safe drinking water and education and in achieving the Millennium Development Goals.

92. **Mr. Benmellouk** (Morocco) said that, in spite of the upturn in the world economy and the favourable outlook for growth, the economic and social situation of developing countries remained precarious, particularly because of the scale of poverty in those countries and their vulnerability to external shocks.

93. Inadequate financial flows remained the main obstacle to the recovery and economic development of those countries. The international community should therefore intensify its efforts to increase capital flows to the developing countries, in particular in the African continent, in order to support the action of those countries to achieve the Millennium Development Goals. The international community should also resolve the difficulties, particularly those of a systemic nature, faced by the developing countries.

94. In a global economy characterized by increased interdependence among national economies, the economic policies of the developed countries had a direct impact on the countries of the South. In that context, the developed countries should honour the commitments they had made in various international forums, particularly at Monterrey, to ensure that their policies were consistent with the attainment of the Millennium Development Goals. IMF had a central role to play in ensuring the balance and stability of the world economy.

95. With respect to the participation of the developing countries in the decision-making processes of the international financial institutions, the current efforts of the World Bank and IMF to strengthen such participation should be supported and a precise timetable drawn up. Efforts should focus on the search for a consensus on structural measures, particularly restoring the number of basic votes to a level at least equivalent to what it was on the date of the establishment of IMF, an increase in quota shares, the establishment of new special majorities, the selective increase in capital and the enlargement of executive boards. Those changes could not take place without political will on the part of the developed countries. It should be recalled that those countries were committed under the Monterrey Consensus to correct anomalies in the decision-making process of the Bretton Woods institutions.

96. The persistent indebtedness and debt-servicing problems of the developing countries were a factor that impeded their development efforts. A reduction in indebtedness could play a vital role by releasing resources to be used for sustainable growth. Morocco welcomed the efforts made by the heavily indebted low-income countries in the context of the HIPC Initiative. The success of that Initiative required a degree of flexibility to overcome the difficulties encountered by the countries concerned which did not manage to meet the admission criteria. In that context, Morocco also welcomed the decision to extend the sunset clause of the HIPC Initiative until the end of 2006.

97. The same flexibility was required for dealing with the debt of all the developing countries. It was also necessary to overcome the difficulties experienced by those States and limit the impact of the instability of the world economy on their ability to manage their debt. The efforts of the international community should be exerted within the context of an approach guided by concern with maintaining a sustainable level of indebtedness in developing countries, particularly the most indebted among them, and with ensuring that resources transferred to those countries were made available to them on terms that did not threaten their medium- and long-term viability. At the same time, Morocco supported the establishment by the World Bank and IMF of a new framework for the evaluation of the indebtedness of low-income countries based on a systematic analysis of the dynamics of that indebtedness. Such an evaluation should take into account not only the indicators that determined the sustainable debt level, but also other, qualitative,

factors, in order to place their financing strategies in a suitable light.

98. **Mr. Jenie** (Indonesia), speaking on behalf of the member countries of ASEAN, said that those countries fully associated themselves with the remarks made by the representative of Qatar on behalf of the Group of 77 and China.

99. Stability of the financial sector was one of the main objectives that ASEAN continually endeavoured to achieve. The financial crises suffered by the region in 1997-1998, after it had experienced one of the fastest growth rates in the world, had made two things clear, namely that the economies of the ASEAN countries were more closely linked to one another than had previously been thought and that they were clearly integrated in the eyes of investors. The lessons drawn from those financial crises became the basis for the launching of the ASEAN Economic Community in October 2003. The aims of the Community were to promote the region's economic development and enhance its resilience, thus increasing its contribution to the world economy and its ability to become part of the engine of global growth.

100. The ASEAN Surveillance Process, which served as an early warning mechanism for any potential problems that might affect the region's financial sector and was based on regular monitoring of national situations and the holding of periodic meetings of the finance ministers of the ASEAN countries, was an ongoing financial cooperation initiative among those countries.

101. As pointed out by the Secretary-General in his report (A/59/218), FDI was still the most important source of external financing for developing countries. ASEAN reaffirmed its commitment to providing investors with a competitive and attractive environment for investment and business operations. That commitment had already given rise to clear-cut positive trends. Wherever feasible, ASEAN was establishing mechanisms with its partners that would strengthen the region's resistance against external factors. The Chiang Mai initiative, for example, had definitely helped the ASEAN countries to overcome the Asian financial crisis. Nevertheless, because those countries were at various stages of development, the region remained vulnerable to global uncertainties and risks. Sustained recovery could not be achieved unless the challenges triggered by the globalized economy were addressed. Indebtedness was no doubt one of the heaviest challenges faced by developing countries, which would surely fall short of achieving the Millennium Development Goals if debt management policy was not linked with growth and development. ASEAN therefore supported the efforts to develop and apply innovative mechanisms to comprehensively address debt problems in developing countries based, among other things, on the use of special drawing rights, debt swaps for nature and development programmes. While duly recognizing the efforts of some developed countries to achieve or surpass the target of 0.7 per cent of gross national product set for ODA, ASEAN noted that the current commitments would not suffice to enable developing countries to achieve the Goals. ASEAN therefore called for greater political will on the part of developed countries.

102. Enhanced participation of developing countries in international economic decision-making, the need for which had been emphasized in the Monterrey Consensus and highlighted in the Secretary-General's report (A/59/218), would greatly facilitate overall reforms in the international financial architecture and the implementation of developing countries' international commitments, particularly the Millennium Development Goals. In that regard, ASEAN called for greater participation of its member countries in the decision- and policy-making of the Bretton Woods institutions and the Doha Round of trade negotiations within the World Trade Organization framework.

103. Also extremely important were the discussions that had led to the issuance of the communiqué of 2 October 2004 by the Development Committee of the World Bank and the evolving recognition of the need for a series of new concepts and instruments that would favour the allocation of new resources and provide more flexible access to financial sources by developing countries.

104. A healthy financial sector was a precondition for supporting development goals. It would have been impossible for the ASEAN countries to surmount the 1997-1998 financial crises without concerted vision and action. Although the global economic outlook was for relative stability, countries must work in unity to prevent future shocks. The high-level event to be held during the sixtieth session of the General Assembly would provide an opportunity for them to discuss such

issues, as it would coincide with the biennial evaluation of the Monterrey Consensus.

105. **Mr. Chiriboga** (Ecuador) said that he associated himself with the statement made by the representative of Qatar on behalf of the Group of 77 and China. The elimination of poverty was still the policy objective of most Members of the Organization, for it was essential to create a world that was more just and equitable. Unfortunately, developing countries often found themselves compelled to defer the implementation of decisions for the achievement of the Millennium Development Goals relating to the elimination of hunger and poverty in order to repay or service their foreign debt. Ecuador, which faced that dilemma, with a foreign debt/gross domestic product ratio that was 42 per cent in 2003, therefore urgently called once again on the international community and the international financial institutions to shoulder their responsibilities in that area and solve the problem.

106. The solutions proposed must be viable and must permit developing countries to realize their social as well as their economic objectives. It was not acceptable that debt repayment or debt service should prevent them from making the necessary investments in the social and productive areas. The terms of the renegotiation of the foreign debt, which were contrary to the principle of State sovereignty, must therefore be softened.

107. One must also ascertain the sustainable debt level of indebted countries, for it was difficult to repay a debt while stimulating long-term growth and reducing poverty. The members of the international community should also make a concerted, decisive effort to set up mechanisms that took into account the situation of developing countries, including middle-income countries.

108. Inasmuch as many developing countries were periodically the victims of natural disasters that struck their populations and their economies full force, they must be able, in such cases, to receive funds or have recourse to aid mechanisms on an emergency basis to ease the effects without thereby adding to their debt.

109. To set up any emergency aid mechanism, it was imperative to take into account each country's situation, in particular its social situation, which must serve as a basis for the establishment of debt-payment capacity.

110. Such mechanisms, however, were not enough to solve the initial problem, which was that of indebtedness. One must therefore remedy the effects of exogenous factors that affected the situation of developing countries, in particular the inequalities inherent in the multilateral trading system, which compromised their development possibilities.

The meeting rose at 1.10 p.m.

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Chairman: Mr. Balarezo ..... (Peru)

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04-54656 (E)

The meeting was called to order at 3.10 p.m.

Agenda item 83: Macroeconomic policy questions (*continued*) (A/59/80-E/2004/61, A/59/80/Corr.1-E/2004/61/Corr.1, A/59/115 and A/59/155-E/2004/96)

(b) International financial system and development (*continued*) (A/59/218)

(c) External debt crisis and development (*continued*) (A/59/219)

1. **Mr. Massieu** (Mexico) said that, at the International Conference on Financing for Development, Member States had recognized the need for reform of the international financial architecture based on transparency and enhanced participation of developing countries and economies in transition. Although progress had been made on transparency, thanks to the monitoring activities of the International Monetary Fund (IMF), more needed to be done to involve such countries in international economic decision-making.

2. The United Nations had a role to play in promoting the international machinery to attract capital flows to developing countries, thereby partly mitigating the negative effect of the net transfer of resources from developing countries abroad. Developed and developing countries, multilateral banks and all stakeholders in the partnership forged in Monterrey must study how to obtain greater flows of foreign direct investment (FDI) to improve the general investment climate. The report of the Commission on the Private Sector and Development contained several useful recommendations on that subject.

3. At the multilateral level, his Government had contributed $40 million in special drawing rights to help to finance loans made by the IMF on concessional terms. It had also contributed to the World Bank's Heavily Indebted Poor Countries (HIPC) Initiative. At the bilateral level, it had restructured debts on very favourable terms for some countries in Central America. As the International Conference on Financing for Development had highlighted, external debt relief was critical for sustainable development. It was therefore the shared responsibility of creditors and debtors to strengthen initiatives to reduce the debt burden, including debt cancellation.

4. **Mr. Musambachime** (Zambia) said that external debt had continued to consume a large proportion of the national income of developing countries, especially the least developed countries. His delegation therefore welcomed the debt-policy recommendations contained in the report of the Secretary-General on external debt and development (A/59/219). He noted with concern the $95 billion increase in the total external debt of developing countries during the previous year. The rise in private debt in sub-Saharan Africa, Eastern Europe and Central Asia had increased long-term debt in those regions. Zambia had not been spared by the fall in the debt-to-exports ratio and debt-service-to-exports ratio and the decline in gross national income, resulting in arrears for developing countries and transition economies.

5. Although his Government had not reached the completion point, it was making progress on qualifying for interim relief, and hoped to be eligible for the full amount of debt relief possible under the HIPC Initiative by the end of 2004. It was also striving to achieve debt sustainability, long-term growth and poverty reduction within the context of implementing poverty reduction strategy papers, which called for spending on social sectors, including education and health. The need to strike a balance between allocating resources to servicing external debt and implementing the papers, both of which were necessary to qualify for the completion point, had led to reduced investment in infrastructure and production.

6. The IMF macroeconomic frameworks and poverty reduction strategy papers in Zambia were not sufficiently targeted on growth and the Millennium Development Goals, as they focused on reducing inflation and controlling interest and exchange rates. International financial institutions must therefore review their lending policies and hold more extensive consultations, particularly with low-income countries, to generate the necessary additional resources to achieve the Goals. His Government hoped for continued and increased project-related grants to countries that reached completion points and called on the international community to extend the HIPC Initiative.

7. Current analyses of the external debt structure did not take into account such variables as exports, imports, the size of non-debt-creating capital inflows such as FDI and ODA, outflows of profits, production structures, real exchange rates, returns on investments,

fiscal revenue and export supplies. Resource mobilization and debt financing must always reflect national development strategies and policies. External debt had continued to hinder economic and social development. A lasting solution to debt burden must be sought, including the option of debt cancellation.

8. **Mr. Rahman** (Malaysia) said that the Asian financial crisis of 1997 clearly demonstrated the vulnerability of developing countries and the frightening imbalances in the global economy. Developing countries had learned at great cost that the international financial architecture had not been crafted to protect small and fragile emerging economies lacking sufficient institutional capacity. In the light of the bitter experience with unfettered and poorly regulated activities of speculators, his Government and other developing countries had repeatedly called for the reform of the international financial architecture to provide greater support and protection — calls that had gone largely unheeded by those who controlled the system. Although some efforts had been made to curb the activities of financial speculators, they fell far short of the expectations of developing countries.

9. More comprehensive reform of the international financial architecture was needed. As stated in the report of the Secretary-General, the focus must be crisis prevention. While maintaining surveillance of developing countries, the IMF must also monitor the policies of developed countries more closely. There was also a need to enhance information and transparency with respect to the market, including, in particular, the role of hedge funds. The IMF should not exaggerate the need for transparency at the expense of its role as a confidential adviser and must be held responsible for the policy advice that it provided to member countries. Too much emphasis had been given to increasing transparency in the public sector. The quality of information from the private sector must also be enhanced. His delegation noted with satisfaction the progress achieved in persuading highly leveraged institutions, rating agencies and offshore financial centres to be more transparent in their operations.

10. His Government was moving towards a market-based system to regulate capital market activities and to ensure that regulations were applied consistently to institutions and actors involved in similar activities. The efforts to reform its domestic financial system, however, had not been sufficient to ensure financial stability; strengthened efforts by international financial institutions were also needed. Those institutions must be reformed to ensure wider, more inclusive and more equitable participation of developing countries in policy planning and decision-making.

11. **Mr. Rana** (Nepal) said that his delegation was encouraged by the positive macroeconomic policies that had contributed to economic growth and recovery and the decision by the World Trade Organization (WTO) following the collapse of negotiations in Cancún to set a framework for future negotiations on trade liberalization under the Doha work programme. However, global economic growth was at risk. Many national economies had severe fiscal deficits; fiscal policies varied noticeably from country to country; and financial flows continued to leave developing countries in a vulnerable position.

12. The existing international institutional financial arrangements had not adequately addressed the concerns and interests of developing countries. The international community must make sincere efforts to enable developing countries to achieve the Millennium Development Goals, including through ODA. The initiatives undertaken in past years to alleviate the severe debt burden of developing countries were also inadequate. The HIPC Initiative must be properly funded and expanded to cover all the least developed countries.

13. The least developed countries had been marginalized and afflicted by illiteracy, hunger and unemployment. Without generous support from the international community, they would be unable to emerge from the vicious circle of poverty. The international community, including the transit developing countries, must also help landlocked developing countries to overcome their geographical handicap by implementing the Almaty Programme of Action. Support from the international community was crucial for the effective implementation of his Government's current national development programme, which focused on reducing poverty and generating employment opportunities, and its efforts to implement the Brussels Programme of Action.

14. Lastly, debt cancellation was urgently needed. Developing countries must mobilize more resources to accelerate development. His delegation supported the establishment of innovative financial mechanisms to promote sustained economic growth in developing countries.

15. Mr. **Mushy** (United Republic of Tanzania) said that developing countries had implemented a number of reforms, including privatization, trade liberalization and anti-corruption bureaux, which had led to impressive economic growth. Between 1997 and 2002, his country's GDP had grown between 3.3 and 6.2 per cent annually. Thanks to its reforms, it had qualified for the HIPC completion point in November 2001 and had been granted debt relief amounting to $2 billion in net present value terms. The relief was much needed and allowed for investment in the social sector, including pro-poor water, health, education and agriculture programmes. Reaching the completion point had also opened doors for donor budget support.

16. Despite a strategy to strengthen national debt management, total debt was still increasing and remained a serious impediment to the financing of development. In the United Republic of Tanzania, 42 per cent of the budget went towards servicing the debt. The HIPC Initiative resources were directed mainly to the social service sectors as opposed to production or infrastructure. His Government had been forced to choose between financing for development and servicing the debt. The need to borrow, the obligation to pay and the imperative to invest in development had resulted in chronic indebtedness for most developing countries. Compound interest and the obligation to pay off the principal in countries with weak economies had made debt sustainability elusive. There was therefore an urgent need to explore further viable solutions, including debt cancellation.

17. **Mr. Elkoni** (Libyan Arab Jamahiriya) said that the external debt of developing countries and transition economies had increased by 4 per cent in 2003, and the ratio of total debt to gross national income continued to worsen in Latin America and the Caribbean, North Africa and the Middle East. Despite the HIPC Initiative, the debt burden remained an obstacle to growth for developing and middle-income countries. Foreign direct investment must be increased, innovative financing mechanisms found and projects to boost employment explored.

18. There was also an urgent need for debt relief or cancellation, especially for the least developed countries, and for reform of the international financial architecture. That reform must include efforts to strengthen the debt sustainability and export growth of developing countries and to muster the resources, including ODA, to ensure that the international financial system responded to development needs.

19. **Mr. Belkas** (Algeria) said that the international financial system must play a preponderant role in international economic life by promoting sustainable development, sustained economic growth and poverty reduction and facilitate coherent mobilization of resources to finance development, including domestic resources, international capital flows, ODA and external debt relief.

20. While welcoming the economic recovery in some countries, his delegation was concerned that the recovery was unbalanced and undermined the developing countries' untiring efforts to eliminate poverty. It was also concerned by the growth in the net transfer of financial resources from developing to developed countries, which was caused by ever-rising debt servicing payments and the increase in foreign exchange reserves in a number of countries. Rather than strengthening international assistance for the financing of development, in accordance with the commitments made at the Millennium Summit and the International Conference on Financing for Development, financial flows had tended to go from developing to developed countries. His delegation noted with concern that FDI and ODA were far from meeting the international commitments made to ensuring development in developing countries. Despite the measures taken by developing countries to enhance the dissemination of information and strengthen regulations and surveillance of financial markets, they remained extremely vulnerable to economic crises and international macroeconomic cycles.

21. The international community must therefore take measures to protect those countries from such crises, redress international imbalances and ensure the coordination of long-term development policies. His delegation called on the international community, the United Nations, the Bretton Woods institutions and the private sector to fulfil the commitments made at various international forums, including the Millennium Summit and International Conference on Financing for Development, to provide relief for debt-distressed countries and welcomed the decision by the Bretton Woods institutions to extend the HIPC Initiative. The Initiative had been on the verge of collapse during the past few years as outstanding debt continued to rise. His delegation also commended the HIPC Capacity-Building Programme in Debt Analysis. That

international technical assistance in the area of debt management would benefit more than 100 countries.

22. The only solution to the debt problem lay in a collective decision by the international community to implement its commitments to granting debt relief or, in some cases, debt cancellation and to devoting 0.7 per cent of gross national product to ODA.

23. **Mr. Kogda** (Burkina Faso) said that countries burdened by external debt must have access to new types of resources adapted to the challenges of economic and social development and poverty eradication. Neither the HIPC Initiative nor the European Union mechanisms had lowered the external debt of many countries to sustainable levels, or had a meaningful impact on poverty eradication.

24. Since the problem of external debt could not be tackled outside the context of domestic economic and financial policy, and debt sustainability and effectiveness were closely linked to domestic economic performance, aid measures should be strengthened to ensure the mobilization of private capital to remedy the shortfall in financial resources in African countries. Increased foreign direct investment (FDI) would be promoted by the establishment of greater political stability and better governance supported by an impartial legal system and judiciary to guarantee the enforcement of contracts and agreements. Burkina Faso had qualified as a beneficiary under the HIPC Initiative in September 1997. Despite the adoption of a series of debt relief measures, its external debt remained critical, and resources under the HIPC Initiative accounted for a relatively small percentage of budget allocations.

25. He shared the view expressed in the report of the Secretary-General (document A/59/219) that the implementation of the Initiative could be enhanced by a further streamlining of conditionality through sustained measures for clearing arrears and the reduction of debt ratios. Grants to the poorest countries should be increased.

26. **Mr. Sunaga** (Japan) said, with regard to financial sustainability, that Japan welcomed recent progress made by the International Monetary Fund (IMF) and the World Bank in refining the framework for debt sustainability and improving analysis of the financial sector. Japan fully recognized the importance of debt sustainability in poverty reduction and sustainable development and had taken measures to ease the burden of developing countries. As the largest bilateral creditor in the world, Japan had reduced a significant amount of its credit under the enhanced HIPC Initiative and had cancelled approximately US$3 billion in debt. His Government would make further efforts to accelerate the implementation of the Initiative and would endeavour to widen the circle of global solidarity for heavily indebted poor countries by encouraging the participation of other creditors.

27. **Mr. Talbot** (Guyana), speaking on behalf of the member States of the Caribbean Community (CARICOM), said that financing the process of development posed major challenges for the small and vulnerable economies of the Caribbean subregion. In particular, the dismantling of preferential trade arrangements had triggered a significant decline in the agricultural sector and disrupted traditional lifestyles and culture. Recent hurricanes had further compounded the challenges to economic and social development, adding to existing structural and institutional disadvantages. Their size, openness, lack of access to capital markets and exposure to large exogenous changes in terms of trade continued to have profound effects on the fiscal and balance-of-payments position of the countries concerned: per capita gross domestic product had increased on average by less than 2 per cent annually.

28. One of the pressing challenges to CARICOM States in their attainment of the Millennium Development Goals was their vulnerability to financial crises. They had taken aggressive action to reduce inflation rates, strengthen the domestic and regional sectors and to reduce external balances. Such initiatives had placed a high premium on macroeconomic and financial policies in regional economies. Access to external finance had facilitated the development of numerous initiatives over the past decade, but at the same time there had been rising fiscal deficits and debt burdens. As a result, several CARICOM member States were among the most indebted countries.

29. A greater effort should be made by the international financial institutions to eliminate balance sheet risks and provide credible forms of contingency financial resources to address the extraordinary needs of small vulnerable economies. Such approaches should be complemented by policies that ensured effective surveillance of the global economy, a framework for sovereign debt restructuring, and new and additional sources of financing.

30. In addition to the expansion of IMF surveillance to include structural and institutional policies, and advocacy for a more stable pattern of external financing, greater effort was required on the part of the Group of 77 countries to coordinate their macroeconomic policies. CARICOM member States also supported more effective regulation of international capital markets and the development of multilateral rules to involve the private sector in the resolution of financial crises. Greater attention should be paid to the representation of developing countries on the executive boards of the Bretton Woods institutions, in global decision-making and in the establishment of norms on economic and financial issues.

31. Urgent action was needed to promote international cooperation on tax matters: there was no intergovernmental forum that considered tax cooperation issues on an ongoing basis.

32. While countries were ultimately responsible for their own development, the international community bore a shared responsibility for creating an enabling environment for developmental efforts. It should ensure that debt sustainability was comprehensively addressed, with the ultimate goal of providing greater opportunities for private investment and economic growth in developing countries. He referred to the views expressed in document A/59/219, particularly with respect to debt sustainability and attainment of the Millennium Development Goals, and welcomed the extension of the HIPC Initiative.

33. **Mr. Malanda** (Congo) said that the hopes for debt relief placed by many developing countries in the HIPC Initiative had been dashed. The Congo was one of the countries that might not reach the completion point, particularly if the HIPC Initiative were to be halted at the end of 2004. The IMF had recently estimated that the country's external debt stood at approximately US$ 591 million, one of the highest levels in the world, and the repayment of that debt, with interest, seemed unlikely. The country had endured several years of devastating civil strife, which had deprived it of resources for national reconstruction. The latest IMF mission had deemed the Government's performance satisfactory in terms of its management of the country's petroleum resources and good governance, and in particular with respect to transparency and control of public spending. The Congo looked forward to having enough resources to ensure sustained growth and sustainable development.

34. His delegation joined previous speakers who had appealed for greater flexibility so that the HIPC Initiative could soon provide benefits to all requesting countries. He expressed gratitude to the Paris Club donors, who had reduced the debt owed by the Congo by US$ 443 million during the period 2004-2005, and reassured them that the use of the funds generated by the cancellation of debt would be governed by transparency.

35. **Mr. Fonseca** (Brazil), speaking on behalf of the Rio Group, said that he shared the view that debt relief was crucial in freeing up resources for poverty eradication activities, sustained economic growth and sustainable development. He regretted that the concepts recognized by the Monterrey Consensus had not been translated into practical measures to facilitate debt repayment, establish economic solvency and debt servicing capacity, or to promote growth and sustainable development. As middle-income countries, the member States of the Rio Group wished to reaffirm the need for deeper international cooperation at all levels in order to sustain their efforts in the areas of structural adjustment, market access and governance. In terms of external debt, they wished to underscore the need, in accordance with their individual capacities and national circumstances, to promote the fight against hunger and poverty, within the main framework of the Millennium Development Goals.

36. **Mr. Zoubi** (Jordan) said that Jordan was vulnerable to external shocks, and its capacity to absorb them was limited, so that it was almost impossible to finance appropriate precautions and safety nets. There had not been a decade since the middle of the 1950s when Jordan had not faced one or more of the shocks outlined in the report of the Secretary-General on external debt crisis and development.

37. Describing the historical context for the evolution of Jordan's debt problem, he said that the Government had launched a process of reform, culminating in the development of a sustainable macroeconomic management policy. Nevertheless, the challenges of growth in real output were not completely solved; nor were external debt and the budget deficit reduced to acceptable levels. Jordan's financial commitment resulting from the servicing of external debt would increase in June 2007, when the first instalment of principal and interest would fall due. In preparation, a number of sectoral development strategies in critical areas at the microeconomic level would be implemented.

38. Referring to the difficulties mentioned by the Secretary-General in his report on the external debt crisis, he said that investment in the Social and Economic Development Plan (2004-2006) would be allocated to programmes that included human resources development, basic government services, rural development and poverty relief. It was hoped that, by the year 2006, a GDP growth rate of 6 per cent and a per capita income growth of 3.6 per cent would have been achieved. The deficit and external debt were expected to fall to 2.8 per cent and 24.5 per cent of GDP.

39. **Mr. Toro Jimenez** (Venezuela) called on the developed countries to support the efforts of the international community to ease the debt burden of developing countries, and to mitigate the effects of the high social and economic costs of debt servicing. International financial credit institutions and other multilateral organizations often imposed adjustment programme policies and conditionalities which had served to exacerbate indebtedness and poverty.

40. The issue of debt had been trivialized in international discussions and little tangible action had been taken that could satisfy the aspirations for the sustainable development of poor countries. At each summit and major international conference, the state of the world's poorest countries had been stated in rhetorical terms, but targets such as the Millennium Development Goals were far from being achieved.

41. For its part, Venezuela had managed to overcome the strictures of debt servicing to improve its long-term situation and had actually repaid 80 per cent of the amount due for 2004. Venezuela had achieved low-risk status, in terms of debt, attributable in part to the results of a recent presidential referendum, high levels of international reserves and improved domestic revenue collection.

42. Venezuela stood ready to work in close cooperation with groups and movements representing developing countries in the United Nations, the Group of 77 and the Non-Aligned Movement, and with all regional groups in order to coordinate the implementation of initiatives that might lead to a just and lasting solution of the problem.

The meeting rose at 4.45 p.m.